# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2009


IN FACING ADVERSITY, WE GAIN STRENGTH AND KNOWLEDGE FOR THE JOURNEY AHEAD.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2009

**M. Steve Yoakum,** Executive Director


**Prepared by:**
PSRS/PEERS Staff
P.O. Box 268
3210 W. Truman Blvd.
Jefferson City, MO 65102-0268
(573) 634-5290 or (800) 392-6848
**www.psrs-peers**.*org*


Public School & Education Employee
PSRS/PEERS®
Retirement Systems of Missouri

**IN FACING ADVERSITY, WE GAIN STRENGTH AND KNOWLEDGE FOR THE JOURNEY AHEAD.**

# MISSION STATEMENT

**The Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS)** work in partnership with the member school districts of this state to provide eligible employees and their beneficiaries with a significant source of income based on the employee's length of service and compensation in order to enhance retirement, disability and death benefits received from other sources.

It is the fiduciary responsibility of those charged with administration of PSRS and PEERS to:

- effectively collect contributions,
- prudently invest the assets to obtain optimum returns,
- equitably provide benefits, and
- impartially and in accordance with applicable law administer the benefit programs.

The Board of Trustees and staff are committed to providing services to the members and beneficiaries professionally, promptly, courteously, and efficiently.

# MISSION STATEMENT PRINCIPLES

- We will conduct the business of the Retirement Systems in accordance with the mission statement.
- We will act as fiduciaries in the management of all funds for the exclusive benefit of our members.
- We will adhere to our investment policy to ensure the highest possible investment return consistent with the prudent investment of plan assets.
- We will have as our goal the replacement of 80% of a member's final average salary after a 30-year career through the combination of income from public pensions and, where applicable, the federal Social Security system.
- We shall have as our goal the retention of purchasing power of the initial retirement benefit through the retirement years.
- We will maintain an independent retirement system that retains the power of the trustees to set actuarial assumptions, appoint consultants, employ staff, establish a budget and conduct all business of the Retirement Systems.
- We will prepare and distribute an annual financial report that adheres to U.S. generally accepted accounting principles.
- We will provide prompt, courteous and accurate service to our members.
- We will provide clear and complete information to the members and the districts through the use of a summary plan document, newsletters, an annual member account statement and any other documents deemed necessary.
- We will adhere to the highest standards of ethical conduct.

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# BOARD OF TRUSTEES

**Tina Zubeck**
Chair
Elected PEERS Member

**Joncee Nodler**
Vice-Chair
Appointed Member

**Yvonne Heath**
Elected PSRS Member

**James O'Donnell**
Appointed Member

**Wayne Wheeler**
Appointed Retired
Member

**Aaron Zalis**
Elected PSRS Member

# TRANSMITTAL LETTER

Public School & Education Employee
PSRS/PEERS®
Retirement Systems of Missouri

December 17, 2009

**TO: Board of Trustees and Members of the Retirement Systems:**

We are pleased to present the *Comprehensive Annual Financial Report* of the Public School Retirement System of Missouri (PSRS) and Public Education Employee Retirement System of Missouri (PEERS) for the fiscal year ended June 30, 2009. The management and staff of the Systems are responsible for the accuracy and completeness of this report and for ensuring that all material disclosures have been made. To the best of our knowledge, the information presented is a fair and accurate portrayal of the financial position and operations of PSRS and PEERS as of June 30, 2009.

***Overview of the Retirement Systems***

The Public School Retirement System of Missouri, a cost-sharing multiple employer retirement system, was established in 1946 by an act of the Missouri legislature to provide retirement, disability and death benefits to full-time, certificated employees in the public schools and four-year regional universities. It has been amended to include part-time certificated employees of public schools and no longer accepts new employees of the regional colleges and universities.

The Public Education Employee Retirement System of Missouri, also a cost-sharing multiple employer retirement system, was established in 1965 by an act of the Missouri legislature to provide retirement, disability and death benefits to non-certificated school employees in the public schools, community colleges and junior colleges who have elected to join the System.

***Financial Information***

The Systems' financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). A system of internal controls is in place to help monitor and safeguard assets and promote efficient operations. As in all internal control environments, there are known, inherent limitations. The Systems' internal controls have been designed to reduce, though not eliminate, such inherent risks. An independent certified public accounting firm selected by the Board of Trustees performs a financial audit each year. In addition, the Systems employ an internal auditor who performs operational reviews to ensure that the internal controls are functioning effectively.

Please refer to the Management's Discussion and Analysis on pages 20 through 25 for an overview of additions to and deductions from the plans for the fiscal year.

***Investment Activities***

The overall investment return for the fiscal year was -19.3% for the Public School Retirement System (PSRS) and -18.9% for the Public Education Employee Retirement System (PEERS). Our return was below our assumed rate of return of 8% due to the overall negative global economic environment. In comparison to other large multi-billion dollar public funds, the PSRS and PEERS investment returns for fiscal year 2009 were right at the median. Our decision to restructure the public debt portfolio in December 2007, from a core Lehman Aggregate Public Debt portfolio to a U.S. Treasuries and TIPS portfolio assisted in providing significant downside protection as the credit crisis evolved throughout the fiscal year.

The Board of Trustees governs the investment process by adopting investment policies and objectives, which define the Systems' strategic investment initiatives, and by monitoring performance to measure the results. The PSRS/PEERS Investment Policy, adopted by the Board and amended as needed, has specific guidelines for performance expectations, eligible holdings and portfolio characteristics. The key to determining investment strategy is asset allocation, a crucial decision made by the Board after consideration of expected returns for asset classes within the context of risk tolerance for the Systems. Internal staff, with the advice of outside consultants, is responsible for implementing and monitoring this strategy. The Systems continue to monitor and update strategy to increase expected returns. During 2009, the staff continued to work towards implementation of the long-term asset allocation adopted in fiscal year 2007.

Additional detailed information regarding the PSRS and PEERS investments can be found in the Investment Section of this report.

**Address:** P.O. Box 268, 3210 West Truman Blvd., Jefferson City, MO 65102; **Telephone Number:** (573) 634-5290; **Toll Free:** (800) 392-6848
**FAX Numbers:** Membership (573) 634-7934; Investments (573) 634-6248; Employer Services (573) 634-7911; Administration (573) 634-5375

# TRANSMITTAL LETTER

***Funding Status and Valuation Results***

PSRS and PEERS are defined benefit retirement systems. This means that a formula made up of credit (years of service) times final average salary, times a multiplier (2.5% for PSRS and 1.61% for PEERS) determines each member's retirement benefit. The actuarial accrued liability is calculated for each System using the plan provisions in effect at the time of the calculation. Actuarial assumptions used in the calculation are recommended by the Systems' outside actuary and are based upon prior experience of the plans.

To determine the relative health of the Systems, the actuarial accrued liability is compared to the actuarial value of assets to arrive at a funded percentage. As of June 30, 2009, PSRS was 79.9% funded, while PEERS was 80.7% funded. This is a slight decrease from the June 30, 2009 funded ratios of 83.4% for PSRS and 82.5% for PEERS.

The actuarial value of assets was determined using a "smoothing" method that requires all gains (earnings in excess of 8%) and losses (earnings below 8%) to be recognized over a five-year period. Because of this methodology, only one-fifth of the 2009 return below 8% was recognized as of June 30, 2009.

Each year, as part of the annual actuarial valuation, an annual required contribution (ARC) rate is calculated which is sufficient to fund the normal costs of the plans plus amortize the unfunded actuarial accrued liabilities over a 30-year period. The Board of Trustees then sets the contribution rates in accordance with the limits set forth in state statute which require the PSRS rate to increase 1% per year and the PEERS rate to increase 0.5% per year until the rates collected are equal to the ARC rates as determined by the actuary. For fiscal year 2011, PEERS will be collecting the ARC rate determined by the actuary and did not require the full 0.5% increase allowed by statute. The ARC rates determined by the actuary and the rates set by the Board of Trustees are detailed below for fiscal years 2009 through 2011.

| | PSRS | PEERS |
|---|---|---|
| **2009 ARC** | 28.24% | 12.98% |
| **2009 Rate set by Board** | 26.00% | 12.50% |
| | | |
| **2010 ARC** | 28.45% | 13.29% |
| **2010 Rate set by Board** | 27.00% | 13.00% |
| | | |
| **2011 ARC** | 30.11% | 13.26% |
| **2011 Rate set by Board** | 28.00% | 13.26% |

***Legislative Changes During 2008-2009***

House Bill 265 and Senate Bill 411 made operational and procedural changes which will allow the Systems to operate more efficiently and effectively as well as allow for investment cost savings overall. There are three main provisions of the bill; the expressed authority for the Systems to indemnify, the ability for the funds from both systems (PSRS and PEERS) to be combined for investment purposes and providing a sunset for association admission into the Systems.

***Awards***

**Certificate of Achievement for Excellence in Financial Reporting**
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PSRS and PEERS for the *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe our current report continues to meet the Certificate of Achievement program requirements and are submitting it to GFOA for consideration again this year.

**Public Pension Coordinating Council (PPCC), Public Pension Standards Award**
PSRS and PEERS each received the Public Pension Standards Award in 2009 in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards of the PPCC. PEERS also received an award in recognition of meeting professional standards for plan funding. These awards are presented by the PPCC, a confederation of the National Association of State

# TRANSMITTAL LETTER

Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

***Professional Services***

Certain professional services are provided to the Systems by retained consultants. The required opinion letters from two of those consultants, PricewaterhouseCoopers, LLC, actuaries, and Williams Keepers LLC, independent certified public accountants, are contained elsewhere in this report.

Investment consulting services, as well as investment manager search assistance and investment performance analysis, have been provided by Russell Investment Group of Tacoma, WA.

***Acknowledgements***

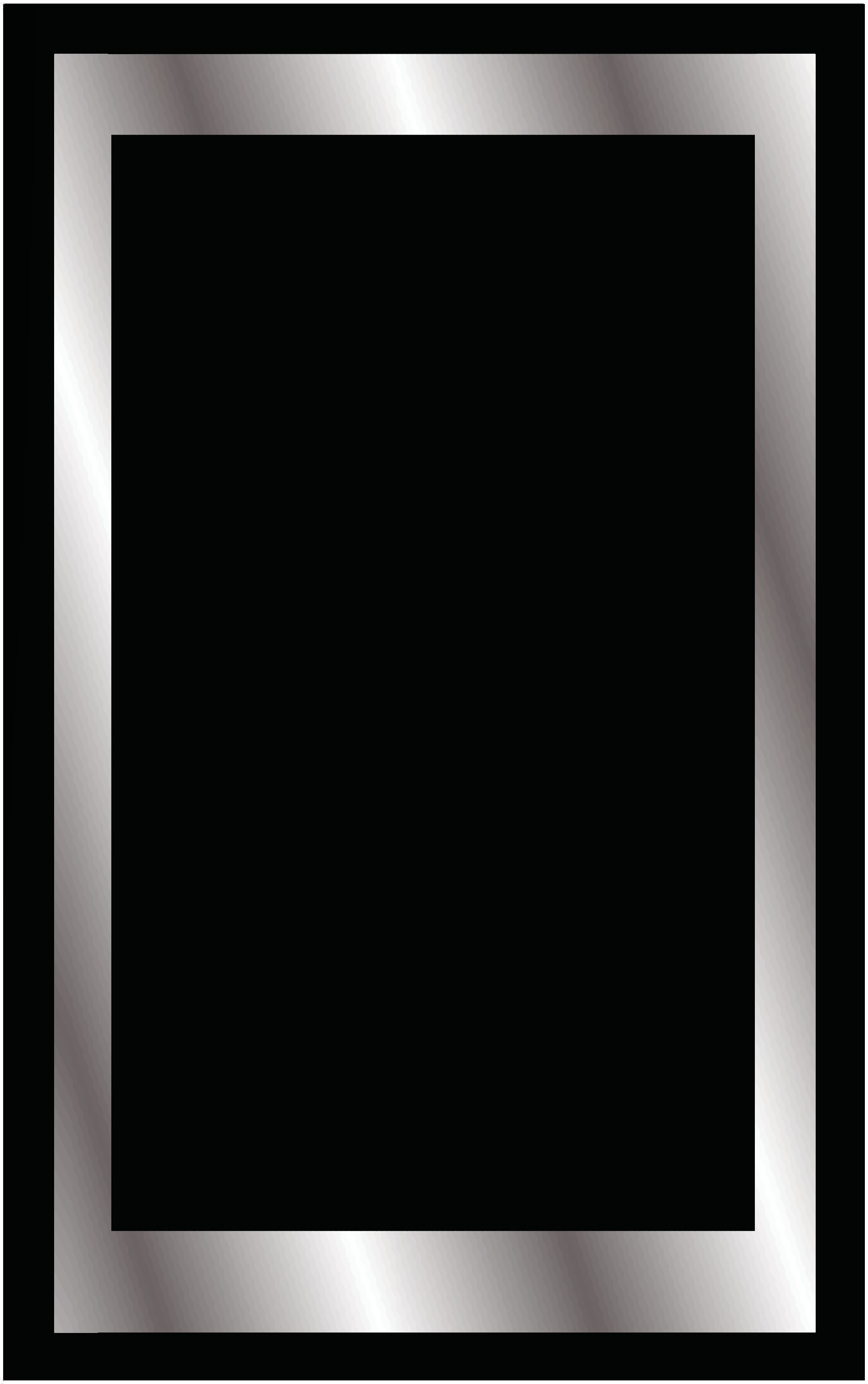
We would like to express our thanks and gratitude to the Board of Trustees, staff, and consultants who have worked diligently to produce this report and to ensure the successful operation of the Systems.

Respectfully submitted,

M. Steve Yoakum
Executive Director

Lori Woratzeck, CPA
Chief Financial Officer

# CERTIFICATE OF ACHIEVEMENT



# PSRS PUBLIC PENSION STANDARDS AWARD

PPCC

Public Pension Coordinating Council

## *Recognition Award for Administration 2009*

Presented to

## *Public School Retirement System of Missouri*

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

# PEERS PUBLIC PENSION STANDARDS AWARD

PPCC

Public Pension Coordinating Council

## Public Pension Standards Award For Funding and Administration 2009

Presented to

## Public Education Employee Retirement System of Missouri

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Alan H. Winkle
Program Administrator

# ADMINISTRATIVE ORGANIZATION

June 30, 2009

**M. Steve Yoakum**
Executive Director

**Janet Harris, CPA**
Internal Auditor

**Mary Hiatte**
Executive Assistant

**Craig Husting, CFA**
Assistant Executive Director, Investments

**Jeff Russler**
Director, Employer Services

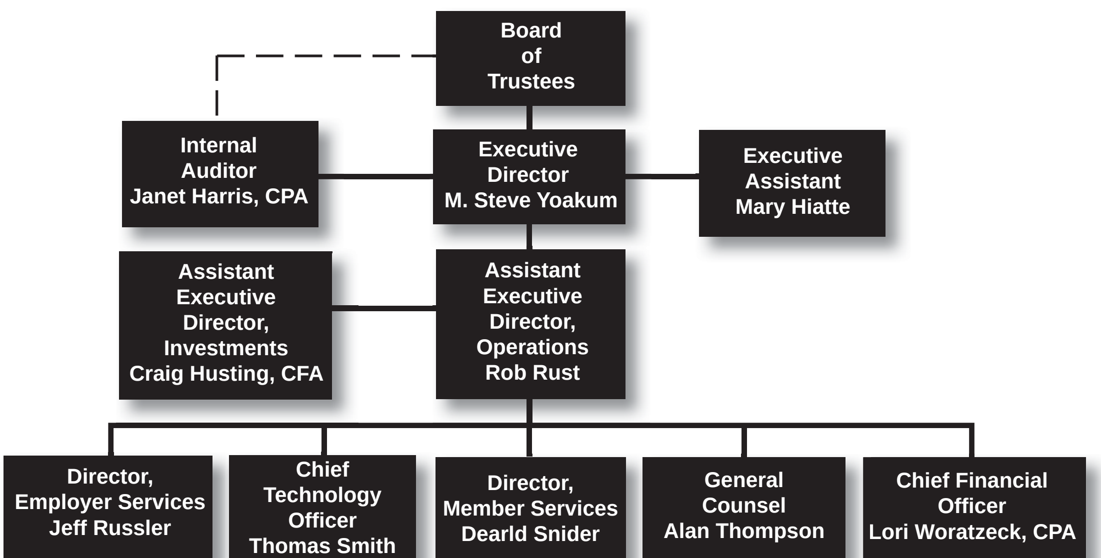
**Rob Rust**
Assistant Executive Director, Operations

**Tom Smith**
Chief Technology Officer

**Dearld Snider**
Director, Member Services

**Alan Thompson**
General Counsel

**Lori Woratzeck, CPA**
Chief Financial Officer



# PROFESSIONAL SERVICES

June 30, 2009

## ACTUARIES

**Gabriel, Roeder, Smith & Co.**
Actuaries and Consultants
Norman S. Losk, FSA
Alex Rivera, FSA
Chicago, Illinois

**PricewaterhouseCoopers, LLC**
Actuaries and Consultants
Kim Nicholl, FS.A, MAA
Brandon Robertson, ASA, MAAA
Chicago, Illinois

## AUDITOR

**Williams Keepers, LLC**
Heidi A. Chick, CPA
Amanda Gaither
Columbia, Missouri

## TECHNOLOGY CONSULTANTS

**AOS**
Jason Harris
Columbia, Missouri

**Advanced Image Systems**
Stan Idel
Jefferson City, Missouri

**Contingency Now**
Dan Esser
Sherman Oaks, California

**Hanshew Consulting**
Jon Hanshew
Oakland, California

**Huber & Associates**
James Huber
Jefferson City, Missouri

**ICON Integration**
Michael Thibault
Overland Park, Kansas

**Ikon Office Solutions**
Nick Grathwohl
Jefferson City, Missouri

**Image Technologies**
Preston Tucker
Columbia, Missouri

**Information Technology Group**
Patti Brown
Kansas City, Missouri

**Integrated Solutions Group**
Roger Rudkin
Columbia, Missouri

**Maximus, Inc.**
Meir Schecter
Baltimore, Maryland

**McAfee**
Hardy Burnett
Santa Clara, California

**Rose International**
Teri Elder
Jefferson City, Missouri

**Sungard**
Lori O'Toole
St. Louis, Missouri

**TowerWall, Inc.**
Michelle Drolet
Holliston, Massachusetts

**Towner Communication Systems**
Mark Towner
Jefferson City, Missouri

**World Wide Technologies**
Molly Jones
St. Louis, Missouri

## INSURANCE CONSULTANTS

**Charlesworth & Associates**
Bob Charlesworth
Overland Park, Kansas

**Wallstreet Insurance Group**
Lee Wilbers
Jefferson City, Missouri

## OTHER CONSULTANTS

**CCG**
Susanne Medley
Hartsburg, Missouri

**Cortex**
Dr. John Por
Toronto, Ontario

## LEGAL COUNSEL

**Pillsbury, Winthrop, Shaw, Pittman, LLP**
Dulcie Brand
Los Angeles, California

**Thompson Coburn Attorneys at Law**
Allen Allred
St. Louis, Missouri

## LEGISLATIVE CONSULTANT

**James R. Moody & Associates**
James "Jim" Moody
Jefferson City, Missouri

## MEDICAL ADVISOR

**Andrew Matera, M.D.**
Columbia, Missouri

Investment Management, Custodial and Consulting fees can be found in the Schedule of Investment Expenses on Pages 83 and 84. Additional information on Investment Managers can also be found in the Investment Section of this report.

# FINANCIAL SECTION

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Ste. 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Ste. E, Jefferson City, MO 65109
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www.williamskeepers.com

**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees of the
Public School and Public Education Employee
Retirement Systems of Missouri

We have audited the accompanying statements of plan net assets of the Public School and Public Education Employee Retirement Systems of Missouri (the Systems) as of June 30, 2009 and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Public School and Public Education Employee Retirement Systems of Missouri at June 30, 2009 and the changes in plan net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 20 through 25 and the schedules of funding progress and employer contributions on pages 44 through 46 are not a required part of the basic financial statements of the systems, but are supplementary information required by the Governmental Accounting Standards Board (GASB). The required supplementary information is the responsibility of management of the Systems. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 47 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Systems. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Introductory, Investment, Actuarial, and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Williams Keepers LLC

October 20, 2009

# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

This discussion and analysis of the financial position of the Public School Retirement System and the Public Education Employee Retirement System (collectively referred to as the Systems) provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2009. We encourage you to consider the information presented here in conjunction with additional information presented in the financial statements and required supplementary information.

**Financial Highlights**

The following highlights are explained in more detail for each System later in this discussion.

The combined net assets of the Systems at June 30, 2009 were $23.7 billion. The net assets were down $6.3 billion from June 30, 2008. This decrease was directly related to the extended global credit crisis and overall global economic slowdown that began during fiscal year 2008 and increased in severity during fiscal year 2009. These events resulted in a decrease in the fair value of investments.

The overall investment return (loss) was (19.3%) for the Public School Retirement System (PSRS) and (18.9%) for the Public Education Employee Retirement System (PEERS). This was a direct result of unprecedented investment market events which resulted in the failure of several large domestic and foreign financial institutions during the year. The overall investment return of the Systems was marginally below the Systems' benchmark returns and comparable to the median return of large institutional pension funds.

The Systems' funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding is to be carried out in such a way to ensure that the burden of paying retirement costs shall be shared equitably by present and succeeding generations of members and taxpayers.

As of June 30, 2009, the funded ratios were 79.9% for PSRS and 80.7% for PEERS. As of June 30, 2008, the funded ratios were 83.4% for PSRS and 82.5% for PEERS. To arrive at the actuarial value of assets as of June 30, 2009 and 2008, we used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.

Revenues for fiscal year 2009 were comprised of contribution revenue of $1.3 billion and investment losses of $5.8 billion, compared to contribution revenue of $1.2 billion and investment losses of $1.5 billion for fiscal year 2008.

Expenses increased 9.7% over the prior year from $1.7 billion to $1.9 billion. Service retirement benefits increased by $138.6 million from $1.47 billion in fiscal year 2008 to $1.6 billion in fiscal year 2009. Another $77.7 million was paid to retirees electing the Partial Lump Sum Option (PLSO). This cost was up $14.8 million from the $62.9 million paid during fiscal year 2008. This option allows eligible retirees to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the financial report of the Systems. The financial report consists of: The basic financial statements, comprised of the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets; the notes to the basic financial statements; and the required and other supplementary information.

The Statements of Plan Net Assets (page 26) present information on the assets and liabilities of the Systems, with the difference between the two reported as net assets. The net assets of the Systems reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Systems' financial position is improving or deteriorating.

The Statements of Changes in Plan Net Assets (page 27) present information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a district, even though not yet paid by year end, will be reflected as revenue. Earned vacation accruals will be reflected as an expense, even though they have not been paid to employees.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 28 through 43. The report also contains required supplementary information in addition to the basic financial statements themselves.

The Schedules of Funding Progress (page 44) include historical trend information about the actuarially funded status of each pension plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedules of Employer Contributions (page 45) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Schedule of Funding Progress (page 46) includes historical trend information about the actuarially funded status of the defined benefit other post-employment benefit (OPEB) plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedule of Employer Contributions (page 46) presents historical trend information about the annual required contributions of the employer and the actual employer contributions made for the defined benefit OPEB plan.

The Schedule of Percentage of OPEB Cost Contributed (page 46) presents historical trend information about the annual OPEB costs and the actual contributions made for the defined benefit OPEB plan.

Other supplementary schedules are also included. The Schedule of Administrative Expenses (page 47) presents the overall cost of administering the Systems. The Schedule of Professional/Consultant Fees (page 49) further details this category of administrative expense.

The Schedule of Investment Expenses (page 48) shows the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statement of Changes in Plan Net Assets.

**Financial Analysis of the Public School Retirement System**

The Public School Retirement System (PSRS) is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 13.0% of their annual covered salary during 2009. The employer was required to match that amount. Most PSRS members do not contribute to Social Security, except for employees hired after 1986 who contribute to Medicare only.

**Assets**

Total assets of PSRS as of June 30, 2009 were $25.2 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased by $12.1 billion or 32.5% from the prior year due to investment losses and a $5.5 billion decrease in securities lending collateral. A corresponding reduction in liabilities was also noted for obligations under securities lending arrangements.

**Liabilities**

Total liabilities as of June 30, 2009, were $3.6 billion and were mostly comprised of payables from the purchase of investments. Total liabilities decreased by $6.3 billion from the prior year. This decrease was primarily due to decreased obligations under security lending arrangements as discussed above.

**Net Assets**

System assets exceeded liabilities at June 30, 2009, by $21.6 billion. This was down from 2008 net assets of $27.4 billion by $5.8 billion. This reduction was primarily due to investment losses from the unprecedented adverse market conditions previously discussed. Investment losses totaled $5.3 billion for the year. In addition, benefit payments and other expenses exceeded contribution revenue by $0.5 billion. This trend is a natural progression in a mature defined benefit plan.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## PUBLIC SCHOOL RETIREMENT SYSTEM
## PLAN NET ASSETS (000'S)

| | 2009 | 2008 | Change |
|---|---|---|---|
| Cash & investments | $ 22,564,548 | $ 34,009,978 | $ (11,445,430) |
| Receivables | 2,640,432 | 3,306,861 | (666,429) |
| Other | 12,442 | 14,293 | (1,851) |
| Total assets | 25,217,422 | 37,331,132 | (12,113,710) |
| Total liabilities | 3,628,245 | 9,896,093 | (6,267,848) |
| **Plan net assets** | $ 21,589,177 | $ 27,435,039 | $ (5,845,862) |

## PUBLIC SCHOOL RETIREMENT SYSTEM
## CHANGES IN PLAN NET ASSETS (000'S)

| | 2009 | 2008 | Change |
|---|---|---|---|
| **Additions** | | | |
| Member contributions | $ 599,582 | $ 572,810 | $ 26,772 |
| Employer contributions | 563,454 | 521,242 | 42,212 |
| Investment loss | (5,301,374) | (1,385,701) | (3,915,673) |
| Other | 627 | 370 | 257 |
| Total deductions | (4,137,711) | (291,279) | (3,846,432) |
| **Deductions** | | | |
| Monthly benefits | 1,651,608 | 1,502,974 | 148,634 |
| Refunds of contributions | 46,408 | 46,301 | 107 |
| Administrative expenses | 10,122 | 8,042 | 2,080 |
| Other | 13 | 32 | (19) |
| Total deductions | 1,708,151 | 1,557,349 | 150,802 |
| **Change in plan net assets** | $ (5,845,862) | $ (1,848,628) | $ (3,997,234) |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Revenues – Additions to Plan Net Assets**
The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by $69.0 million to $1.2 billion. This was a 6.3% increase over the prior year. Retirement contributions were calculated at 13.0% of retirement salary for each member during fiscal year 2009. The employer matched this amount. Contribution rate increases accounted for 4.0% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit. Such contributions for the year decreased by $15.2 million or 27.1%. The remainder of the increase in contributions is attributed to increased salaries and healthcare benefits.

The net investment loss was $5.3 billion as compared to a net investment loss of $1.4 billion in 2008. The 2009 investment markets experienced significant adverse conditions which resulted in investment losses. Such conditions included the extended global credit crisis and an overall global economic slowdown. These events resulted in the failure of several large domestic and foreign financial institutions during the year. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

**Expenses – Deductions from Plan Net Assets**
The primary expenses of PSRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2009 were $1.7 billion, an increase of 9.7% over fiscal year 2008.

Benefit expenses increased by $148.6 million. This was a result of cost-of-living increases applied to the benefits of current retirees, increased PLSO payments and the addition of 2,666 new service and disability retirees. There were no changes to the benefit formula during 2009. Refunds of contributions increased by $0.1 million to $46.4 million.

Administrative expenses increased by $2.1 million to $10.1 million. This was a 25.9% increase, which is attributable to a variety of factors including: providing a 3.9% COLA increase plus a 3% merit pool for staff members, increased depreciation expense related to newly completed information technology projects and increased external legal fees. The cost of these items was charged 60% to PSRS and 40% to PEERS, unless the expense was determined to be of direct benefit to only one system. In such instance, the allocation of expense was 100% to the benefited System. As always, we will continue to look for ways to streamline costs where prudent.

**Financial Analysis of the Public Education Employee Retirement System**

The Public Education Employee Retirement System (PEERS) is a mandatory cost-sharing multiple employer retirement system for non-certificated employees and certain part-time certificated employees of participating employers. PEERS members were required to contribute 6.25% of their annual covered salary during 2009. The employer was required to match that amount. PEERS members also contribute to Social Security.

**Assets**
Total assets of PEERS as of June 30, 2009 were $2.5 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased by $1.1 billion or 31.2% from the prior year primarily due to investment losses and a $0.6 billion decrease in securities lending collateral. A corresponding reduction in liabilities was also noted for obligations under securities lending arrangements.

**Liabilities**
Total liabilities as of June 30, 2009 were $0.4 billion and were mostly comprised of payables from the purchase of investments. Total liabilities decreased by $0.7 billion. This decrease was primarily due to decreased obligations under security lending arrangements as discussed above.

**Net Assets**
PEERS assets exceeded liabilities at the close of fiscal year 2009 by $2.1 billion. This was down from 2008 net assets by $0.5 billion. This reduction was primarily due to a reduction in investment earnings due to the adverse market conditions previously discussed. Investment losses totaled $0.5 billion for the year. Because PEERS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by $27.6 million.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM
## PLAN NET ASSETS (000'S)

| | 2009 | 2008 | Change |
|---|---|---|---|
| Cash & investments | $ 2,231,072 | $ 3,321,490 | $ (1,090,418) |
| Receivables | 253,462 | 287,819 | (34,357) |
| Total assets | 2,484,534 | 3,609,309 | (1,124,775) |
| | | | |
| Total liabilities | 370,861 | 1,033,647 | (662,786) |
| | | | |
| **Plan net assets** | $ 2,113,673 | $ 2,575,662 | $ (461,989) |

## PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM
## CHANGES IN PLAN NET ASSETS (000'S)

| | 2009 | 2008 | Change |
|---|---|---|---|
| **Additions** | | | |
| Member contributions | $ 89,427 | $ 81,370 | $ 8,057 |
| Employer contributions | 85,916 | 77,989 | 7,927 |
| Investment loss | (489,552) | (130,619) | (358,933) |
| Total deductions | (314,209) | 28,740 | (342,949) |
| | | | |
| **Deductions** | | | |
| Monthly benefits | 126,667 | 114,064 | 12,603 |
| Refunds of contributions | 15,673 | 15,509 | 164 |
| Administrative expenses | 5,431 | 4,681 | 750 |
| Other | 9 | - | 9 |
| Total deductions | 147,780 | 134,254 | 13,526 |
| | | | |
| **Change in plan net assets** | $ (461,989) | $ (105,514) | $ (356,475) |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Revenues – Additions to Plan Net Assets**

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by $16.0 million to $175.3 million. This was a 10.0% increase over the prior year. Retirement contributions were calculated at 6.25% of retirement salary for each member during fiscal year 2009. The employer matched this amount. Contribution rate increases accounted for 4.0% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit. The remainder of the increase in contributions is attributed to increased salaries and healthcare benefits.

The net investment loss was $490.0 million as compared to a net investment loss of $130.6 million in 2008. The 2009 investment markets experienced significant adverse conditions which resulted in investment losses. Such conditions included the extended global credit crisis and an overall global economic slowdown. These events resulted in the failure of several large domestic and foreign financial institutions during the year. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

**Expenses – Deductions from Plan Net Assets**

The primary expenses of PEERS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2009 were $147.8 million, an increase of 10.1% over fiscal year 2008.

Benefit expenses increased by $12.6 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,369 new service and disability retirees. There were no changes to the benefit formula during 2009. Refunds of contributions increased by $0.2 million to $15.7 million.

Administrative expenses increased by $0.8 million to $5.4 million. This was a 16.0% increase. This increase is attributable to a variety of factors including: providing a 3.9% COLA increase plus a 3% merit pool for staff members and increased depreciation expense related to newly completed information technology projects. The cost of these items was charged 60% to PSRS and 40% to PEERS, unless the expense was determined to be of direct benefit to only one system. In such instance, the allocation of expense was 100% to the benefited System. As always, we will continue to look for ways to streamline costs where prudent.

**Summary**

Due to the long-term nature of defined benefit pension plans, it is important to look at the financial performance of the Systems over a period of years and not just at this single point in time. Although our earnings did not meet the 8% return assumption in 2009, the current 25-year return of the Systems is 9.3%. As indicated earlier, the current year decrease in net assets is a result of an overall investment market slowdown that began during fiscal year 2008 and increased in severity during 2009. Such events have affected all pension systems. PSRS and PEERS are large institutional investors with the ability to create diversified portfolios over long periods of time. Over the long-term, we believe the Systems' investments will continue to provide consistent and meaningful investment returns. Subsequent to fiscal year end, the investment markets improved significantly. For the first quarter of fiscal year 2010, the S&P 500 Index was up over 16%. The Systems' return for the first quarter of fiscal year 2010 was approximately 10.0% (unaudited). The total assets of both Systems increased by approximately $2.3 billion (unaudited) from June 30, 2009 to September 30, 2009. The current fiscal year 2011 contribution rate recommended for PSRS is 28.0%, which is limited by state statute. The recommended rate is below the annual required contribution rate of 30.11%. The current contribution rate recommended for PEERS for fiscal year 2011 is equal to the annual required contribution rate of 13.26%. The Board of Trustees, management and staff continually strive to improve the financial position of the Systems through a prudent investment program and long-term strategic planning.

**Requests for Information**

This financial report is designed to provide the Board of Trustees, our members, and other users of our financial report with a general overview of the Systems' finances and to demonstrate the Systems' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Public School and Education Employee Retirement Systems, P.O. Box 268, Jefferson City, MO 65102.

# STATEMENTS OF PLAN NET ASSETS

As of June 30, 2009 with comparative totals for June 30, 2008

| | | | Combined Totals | |
|---|---|---|---|---|
| | **PSRS** | **PEERS** | **June 30, 2009** | **June 30, 2008** |
| **ASSETS** | | | | |
| Cash | $ 29,732,574 | $8,492,059 | $38,224,633 | $61,479,347 |
| **Receivables** | | | | |
| Contributions | 163,499,025 | 16,500,599 | 179,999,624 | 158,880,383 |
| Accrued interest and dividends | 208,483,117 | 22,961,699 | 231,444,816 | 188,137,138 |
| Investment sales | 2,267,712,174 | 213,973,847 | 2,481,686,021 | 3,247,121,063 |
| Due from PEERS | 525,465 | - | 525,465 | 352,855 |
| Other | 212,440 | 25,853 | 238,293 | 189,200 |
| Total receivables | 2,640,432,221 | 253,461,998 | 2,893,894,219 | 3,594,680,639 |
| **Investments, at fair value** | | | | |
| Public debt | 6,931,987,859 | 710,928,224 | 7,642,916,083 | 8,447,812,195 |
| U.S. equities | 7,733,432,052 | 749,177,465 | 8,482,609,517 | 11,707,577,524 |
| Global equities | 3,882,181,340 | 376,575,224 | 4,258,756,564 | 6,144,697,135 |
| Short-term investments | 563,936,273 | 71,348,922 | 635,285,195 | 791,880,129 |
| Private equity | 1,116,683,997 | 90,909,449 | 1,207,593,446 | 1,133,299,652 |
| Real estate | 1,095,373,976 | 96,697,466 | 1,192,071,442 | 1,608,042,020 |
| Total investments | 21,323,595,497 | 2,095,636,750 | 23,419,232,247 | 29,833,308,655 |
| Invested securities lending collateral | 1,211,220,105 | 126,943,576 | 1,338,163,681 | 7,436,680,227 |
| Prepaid expenses | 138,328 | - | 138,328 | 586,502 |
| Capital assets, net of accumulated depreciation | 12,303,602 | - | 12,303,602 | 13,706,076 |
| Total assets | 25,217,422,327 | 2,484,534,383 | 27,701,956,710 | 40,940,441,446 |
| **LIABILITIES** | | | | |
| Accounts payable | 13,317,397 | 1,299,927 | 14,617,324 | 16,525,159 |
| Interest payable | 304,472 | 112,917 | 417,389 | 48,659,326 |
| Securities lending collateral | 1,294,503,245 | 135,034,000 | 1,429,537,245 | 7,436,680,227 |
| Investment purchases | 2,319,163,274 | 233,272,052 | 2,552,435,326 | 3,426,259,599 |
| Due to PSRS | - | 525,465 | 525,465 | 352,855 |
| Net other post-employment benefit obligation | 217,800 | 145,200 | 363,000 | 183,290 |
| Compensated absences | 738,736 | 471,191 | 1,209,927 | 1,079,935 |
| Total liabilities | 3,628,244,924 | 370,860,752 | 3,999,105,676 | 10,929,740,391 |
| **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** | $ 21,589,177,403 | $ 2,113,673,631 | $ 23,702,851,034 | $ 30,010,701,055 |

*See accompanying Notes to the Financial Statements.*

# STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2009 with comparative totals for June 30, 2008

| | PSRS | PEERS | Combined Totals Year Ended June 30, 2009 | Combined Totals Year Ended June 30, 2008 |
|---|---|---|---|---|
| **ADDITIONS (REDUCTIONS)** | | | | |
| **Contributions** | | | | |
| Employer | $ 563,454,487 | $ 85,915,562 | $ 649,370,049 | $ 599,230,340 |
| Member | 599,582,276 | 89,427,259 | 689,009,535 | 654,180,552 |
| Total contributions | 1,163,036,763 | 175,342,821 | 1,338,379,584 | 1,253,410,892 |
| **Investment income (loss)** | | | | |
| *From investing activities:* | | | | |
| Net depreciation in fair value of investments | (5,655,263,419) | (524,856,882) | (6,180,120,301) | (2,127,072,480) |
| Interest from investments | 152,644,848 | 16,519,808 | 169,164,656 | 274,491,913 |
| Interest from bank deposits | 98,275 | 7,418 | 105,693 | 451,267 |
| Dividends | 253,022,030 | 23,680,743 | 276,702,773 | 346,422,457 |
| Total investment loss | (5,249,498,266) | (484,648,913) | (5,734,147,179) | (1,505,706,843) |
| Less investment expenses | 48,180,160 | 4,868,309 | 53,048,469 | 72,262,703 |
| Net loss from investing activities | (5,297,678,426) | (489,517,222) | (5,787,195,648) | (1,577,969,546) |
| *From security lending activities:* | | | | |
| Security lending gross income | 138,170,727 | 14,434,713 | 152,605,440 | 253,420,210 |
| Net depreciation in fair value of security lending collateral pool | (83,283,140) | (8,090,424) | (91,373,564) | - |
| Less security lending activity expenses: | | | | |
| Agent fees | 8,377,168 | 848,024 | 9,225,192 | 10,976,578 |
| Broker rebates | 50,206,215 | 5,531,350 | 55,737,565 | 180,794,076 |
| Total security lending expenses | 58,583,383 | 6,379,374 | 64,962,757 | 191,770,654 |
| Net (loss) income from security lending activity | (3,695,796) | (35,085) | (3,730,881) | 61,649,556 |
| Total net investment loss | (5,301,374,222) | (489,552,307) | (5,790,926,529) | (1,516,319,990) |
| **Other income** | | | | |
| PEERS capital asset charge | 619,614 | - | 619,614 | 326,778 |
| Miscellaneous income | 7,670 | 757 | 8,427 | 43,671 |
| Total other income | 627,284 | 757 | 628,041 | 370,449 |
| Total reductions | (4,137,710,175) | (314,208,729) | (4,451,918,904) | (262,538,649) |
| **DEDUCTIONS** | | | | |
| Monthly benefits | 1,651,607,588 | 126,666,805 | 1,778,274,393 | 1,617,037,841 |
| Refunds of contributions | 46,408,252 | 15,673,105 | 62,081,357 | 61,810,427 |
| Administrative expenses | 10,121,964 | 5,431,199 | 15,553,163 | 12,722,585 |
| Other expenses | 13,240 | 8,964 | 22,204 | 32,560 |
| Total deductions | 1,708,151,044 | 147,780,073 | 1,855,931,117 | 1,691,603,413 |
| Net decrease | (5,845,861,219) | (461,988,802) | (6,307,850,021) | (1,954,142,062) |
| **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** | | | | |
| Beginning of year | 27,435,038,622 | 2,575,662,433 | 30,010,701,055 | 31,964,843,117 |
| End of year | $ 21,589,177,403 | $ 2,113,673,631 | $ 23,702,851,034 | $ 30,010,701,055 |

*See accompanying Notes to the Financial Statements.*

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009 with comparative information for June 30, 2008

**Note 1 – Plan Descriptions**

The Board of Trustees of the Public School Retirement System administers two separate retirement systems, the Public School Retirement System (PSRS) and the Public Education Employee Retirement System (PEERS). The Board of Trustees consists of seven members, three of whom are elected PSRS active members, one an elected active member of PEERS and three persons appointed by the Governor, one of whom must be a retired member of either PSRS or PEERS.

The funds of the two Systems are invested in conjunction with each other but each System retains title to its own investments. Each System's assets may be used only for the payment of benefits to the members of the separate System in accordance with the statutes governing that System as well as expenses required to administer the System.

***The Public School Retirement System***

The Public School Retirement System of Missouri (PSRS) is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989.

PSRS was established as an independent trust fund by an Act of the Missouri General Assembly effective August 1, 1945. Statutes governing the retirement system are found in Sections 169.010-169.141 and Sections 169.560-169.595 RSMo. It is a defined benefit plan providing service retirement, death and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% formula factor. Beginning July 1, 2001, and ending July 1, 2013, a 2.55% formula factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55 or with 25 years of service (if not yet age 55). Members who are less than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2013. Members who are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans, up to a lifetime maximum of 80% of the original benefit amount.

***Contributions* –** PSRS members were required to contribute 13.0% of their annual covered salary during 2008-2009 and 12.5% during 2007-2008. The employing districts were required to match the contributions made by employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Administrative costs are financed through investment earnings. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

***Members* –** The number of PSRS membership and benefit recipients served by the System at June 30 was:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| Retirees and beneficiaries receiving benefits | | 43,746 | | 41,738 |
| Inactive members entitled to but not yet receiving benefits | | 6,515 | | 6,392 |
| Active members: Vested | 56,117 | | 55,415 | |
| Non-vested | 23,218 | | 23,021 | |
| Total active members | | 79,335 | | 78,436 |
| Other inactive members | | 5,055 | | 5,188 |
| Total | | 134,651 | | 131,754 |

***Employers* –** PSRS had 541 and 543 contributing employers during fiscal years 2009 and 2008, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

***The Public Education Employee Retirement System***

The Public Education Employee Retirement System of Missouri (PEERS) is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri teaching certificates also contribute to PEERS.

PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the retirement system are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System.

PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% formula factor. Members qualifying for "Rule of 80" or "30 and Out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are less than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2013. Members who are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) up to a lifetime maximum of 80% of the original benefit amount are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans.

***Contributions –*** PEERS members were required to contribute 6.25% of their annual covered salary during 2008-2009 and 6.0% during 2007-2008. The employing districts were required to match the contributions made by their employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620 RSMo. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Administrative costs proportional to its membership size are reimbursed by PEERS to the Public School Retirement System and are financed through investment earnings.

***Members –*** The number of PEERS membership and benefit recipients served by the System at June 30 was:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| Retirees and beneficiaries receiving benefits | | 19,151 | | 18,288 |
| Inactive members entitled to but not yet receiving benefits | | 4,586 | | 4,304 |
| Active members: Vested | 26,778 | | 26,345 | |
| Non-Vested | 24,200 | | 24,520 | |
| Total active members | | 50,978 | | 50,865 |
| Other inactive members | | 11,952 | | 12,319 |
| Total | | 86,667 | | 85,776 |

***Employers –*** PEERS had 535 and 536 contributing employers during fiscal years 2009 and 2008, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Accounting* –** The financial statements of both Systems were prepared using the accrual basis of accounting. For both Systems, member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Administrative expenses are funded through investment earnings.

***Cash* –** Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Receivables* –** Receivables consist primarily of contributions owed and yet to be remitted by the employing districts, pending investment trades and interest and dividends payable to the Systems as of the end of each fiscal year.

***Method Used to Value Investments* –** Investments are reported at fair value on a trade date basis. Securities traded on international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The value of real estate investments are based on estimated current values and independent appraisals. The value of private equity investments, that do not have an established market, are determined based upon the most current net asset values and activities through year end. When not readily available, alternative investments are valued based on a good faith determination by the General Partner.

***Capital Assets* –** The building and most other capital assets are owned by PSRS and are stated at cost less depreciation accumulated since acquisition. The stated value does not purport to represent replacement or realized value. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method, with estimated lives ranging from three to 40 years in the following major classes: computers and software, three years; vehicles, five years; equipment, five years; building and land improvements, 15 years; building, 40 years.

PEERS owns office equipment purchased before 1997 and follows the same guidelines for depreciation. As of June 30, 2009 this equipment was fully depreciated. PEERS reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis. The amount of this reimbursement was $619,614 in 2009 and $326,778 in 2008.

***Estimates* –** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2009. Actual results could differ from those estimates.

***Total Columns* –** The financial statements include total column information for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with both Systems' financial statements for the year ended June 30, 2008, from which the information was derived.

***Reclassification* –** Certain reclassifications have been made to the 2008 totals to conform with the classifications for 2009.

# NOTES TO THE FINANCIAL STATEMENTS

**Note 3 – Designations of Net Assets Held in Trust for Pension Benefits**

The Systems designate the net assets held in trust for pension benefits for the following specific purposes:

## PSRS

| | 2009 | 2008 |
|---|---|---|
| *Designated for Members' Contributions (Member Reserves)* – Accumulation of active and terminated member contributions plus interest. | $ 6,299,067,123 | $ 6,174,728,056 |
| *Designated for the Payment of Benefits to Present Retirees* – Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients. | 19,744,324,094 | 18,547,599,919 |
| *Designated for Additional Deposit Annuities* – Accumulation of the additional deposits over and above the contributions required by law. Defined contribution annuity payments are made to current retirees from this reserve. | 804,757 | 952,184 |
| *Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves/Deficit)* – Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System. | (4,455,018,571) | 2,711,758,463 |
| **Net Assets Held In Trust For Pension Benefits** | $ 21,589,177,403 | $ 27,435,038,622 |

## PEERS

| | 2009 | 2008 |
|---|---|---|
| *Designated for Members' Contributions (Member Reserves)* – Accumulation of active and terminated member contributions plus interest. | $ 693,962,321 | $ 650,970,360 |
| *Designated for the Payment of Benefits to Present Retirees* – Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients. | 1,305,024,978 | 1,215,035,632 |
| *Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves)* – Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System. | 114,686,332 | 709,656,441 |
| **Net Assets Held In Trust For Pension Benefits** | $ 2,113,673,631 | $ 2,575,662,433 |

# NOTES TO THE FINANCIAL STATEMENTS

**Note 4 – Deposits, Investments and Securities Lending Program**

***Custodial Credit Risk –*** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Systems will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Systems would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate custodial credit risk, the Systems require that all deposits be 100% collateralized with securities held in the Systems' name and held by a third party agent.

***Deposits –*** Cash balances include short-term securities held by the custodial bank in a pooled short-term investment fund and operating balances held by the depository banks.

At June 30, 2009, the PSRS carrying amount of deposits at the depository bank was $3,465,894 and the bank balance was $4,791,357. Of the bank balance, $4,791,357 was covered by federal depository insurance. In addition the deposits were also collateralized with securities held by a third-party institution in the System's name. An additional $4,484,391 was held in overnight repurchase agreements with a book value of $4,484,391.

At June 30, 2009, the PEERS carrying amount of deposits at the depository bank was ($162,618) and the bank balance was $0. Since the bank balance was $0, no amount was required to be collateralized. To maximize investment income, the float caused by outstanding checks was invested in overnight repurchase agreements, thus causing the negative book balance. The overnight repurchase agreement balance at June 30, 2009 was $1,436,734 with a book value of $1,436,734.

The following Agency securities were pledged as collateral for overnight repurchase agreements as of June 30, 2009:

**PSRS**

| Agency | Maturity Date | Market Value |
|---|---|---|
| GLPC | 07/25/18 | $ 1,782,328 |
| GLPC | 10/25/18 | 1,679,890 |
| GLPC | 10/25/23 | 1,022,173 |
| Total | | $ 4,484,391 |

**PEERS**

| Agency | Maturity Date | Market Value |
|---|---|---|
| FHLB | 06/17/13 | $ 1,132,770 |
| FNMA | 03/05/14 | 375,800 |
| Total | | $ 1,508,570 |

The following Agency securities were pledged as collateral for overnight deposits as of June 30, 2009:

**PSRS**

| Agency | Maturity Date | Market Value |
|---|---|---|
| GLPC | 10/25/23 | $ 634,510 |
| GLPC | 12/25/19 | 2,157,341 |
| GLPC | 07/25/20 | 2,211,176 |
| GLPC | 04/25/20 | 1,659,923 |
| GLPC | 11/25/33 | 3,046,423 |
| GLPC | 06/25/21 | 2,004,237 |
| GLPC | 05/25/21 | 2,516,266 |
| FFCB | 12/15/11 | 2,448,946 |
| Total | | $ 16,678,822 |

**PEERS**

| Agency | Maturity Date | Market Value |
|---|---|---|
| Not applicable | | |

***Investments –*** Funds for both Systems that are in excess of a safe operating balance are invested by the investment agents under policies and procedures established by the Board of Trustees. Chapter 169.040 RSMo as amended effective August 13, 1984, authorizes any investment which a prudent person acting in a like capacity and familiar with similar matters would use in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibility with respect to the retirement Systems is covered by this "prudent person" rule.

# NOTES TO THE FINANCIAL STATEMENTS

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Systems' investment in a single issue. To mitigate this risk, the Systems' investment policy prohibits investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities. At June 30, 2009, the Systems did not have more than 5% of total investments in a single issue except for U.S. securities.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Systems do not have a single investment policy that restricts duration as a means of managing its exposure to fair value losses arising from increased interest rates; however, each manager must follow guidelines established relative to the duration of its benchmark. The portfolios are continually monitored to ensure compliance with these guidelines. The following table includes collateral pledged for deposits and repurchase agreements but does not include security lending collateral held in a pooled investment fund. The maturities of all debt securities are presented below:

## PSRS

| Security Type | Market Value at June 30, 2009 | <1 Year to Maturity | 1 to 5 Years to Maturity | 6 to 10 Years to Maturity | over 10 Years to Maturity |
|---|---|---|---|---|---|
| U.S. treasuries | $ 4,231,791,201 | $ 396,751,032 | $ 2,079,236,991 | $ 1,429,615,768 | $ 326,187,410 |
| Government guaranteed mortgages | 16,566,662 | 15,158,386 | - | - | 1,408,276 |
| Agencies | 429,762,747 | (28,280,843) | 86,147,259 | 6,269,894 | 365,626,437 |
| Collateralized mortgage obligations | 276,541,135 | - | 3,085,382 | 19,650,106 | 253,805,647 |
| Asset backed securities | 29,064,442 | - | 1,830,675 | 1,509,000 | 25,724,767 |
| Corporate bonds | 1,377,936,481 | (495,089,750) | 1,138,698,200 | 712,181,839 | 22,146,192 |
| Sovereign | 12,206,624 | - | - | 12,206,624 | - |
| Municipals | 53,155,356 | - | 43,715,484 | 1,000,918 | 8,438,954 |
| **Commingled Funds (see note)** | | | | | |
| SSGA STIF | 551,574,529 | 551,574,529 | - | - | - |
| PIMCO Emerging Markets | 437,462 | - | 437,462 | - | - |
| PIMCO Emerging Markets Local Currency | 10,556,581 | 10,556,581 | - | - | - |
| Currency | 84,866,386 | 84,866,386 | - | - | - |
| Total | $ 7,074,459,606 | $ 535,536,321 | $ 3,353,151,453 | $ 2,182,434,149 | $ 1,003,337,683 |
| Percentage of total fixed income | 100% | 8% | 47% | 31% | 14% |

*Note: Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed.*

# NOTES TO THE FINANCIAL STATEMENTS

## PEERS

| Security Type | Market Value at June 30, 2009 | <1 Year to Maturity | 1 to 5 Years to Maturity | 6 to 10 Years to Maturity | over 10 Years to Maturity |
|---|---|---|---|---|---|
| U.S. treasuries | $ 403,632,201 | $ 35,949,770 | $ 200,046,128 | $ 137,617,309 | $ 30,018,994 |
| Government guaranteed mortgages | 4,006,995 | 3,944,050 | - | - | 62,945 |
| Agencies | 69,142,162 | (2,624,726) | 12,623,077 | - | 59,143,811 |
| Collateralized mortgage obligations | 24,053,609 | - | - | 1,855,483 | 22,198,126 |
| Asset backed securities | 4,992,201 | - | 1,589,204 | 1,006,462 | 2,396,535 |
| Corporate bonds | 150,265,339 | (43,046,294) | 120,279,338 | 69,202,438 | 3,829,857 |
| Sovereign | 7,357,629 | - | 5,593,516 | 1,015,958 | 748,155 |
| Municipals | 5,347,381 | - | 3,410,758 | 478,432 | 1,458,191 |
| **Commingled Funds (see note)** | | | | | |
| SSGA STIF | 68,859,695 | 68,859,695 | - | - | - |
| PIMCO Real Return | 55,161 | - | - | 55,161 | - |
| PIMCO Emerging Markets | 53,920 | - | 53,920 | - | - |
| PIMCO Emerging Markets Local Currency | 1,537,284 | 1,537,284 | - | - | - |
| Currency | 8,031,536 | 8,031,536 | - | - | - |
| Total | $ 747,335,113 | $ 72,651,315 | $ 343,595,941 | $ 211,231,243 | $ 119,856,614 |
| Percentage of total fixed income | 100% | 10% | 46% | 28% | 16% |

*Note: Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed.*

# NOTES TO THE FINANCIAL STATEMENTS

***Credit risk* –** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Systems do not have a single investment policy designating the minimum allowable credit rating; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The following tables include collateral pledged for deposits and repurchase agreements but do not include security lending collateral held in a pooled investment fund. The Systems' debt investments by credit rating category as of June 30, 2009 are presented in the following tables.

## PSRS

| Security Type | Market Value at June 30, 2009 | % | AAA | AA | A | BBB | BB | B | CCC | C | D | Not Rated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. treasuries | $ 4,231,791,201 | 60% | $ 4,231,791,201 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Government guaranteed mortgages | 16,566,662 | 0% | 16,566,662 | - | - | - | - | - | - | - | - | - |
| Agencies | 429,762,747 | 6% | 429,762,747 | - | - | - | - | - | - | - | - | - |
| Collateralized mortgage obligations | 276,541,135 | 4% | 247,891,042 | 5,626,676 | 208,477 | 2,315,661 | 1,115,654 | 19,116,594 | 267,031 | - | - | - |
| Asset backed securities | 29,064,442 | 0% | 22,009,745 | - | 5,061,083 | 847,236 | 1,130,750 | - | - | - | - | 15,628 |
| Corporate bonds | 1,377,936,481 | 20% | 565,754,307 | 212,827,740 | 555,770,143 | 447,328,155 | 56,549,337 | 72,498,378 | 17,137,020 | 3,479,440 | 6,213,067 | (559,621,106) |
| Sovereign | 12,206,624 | 0% | - | - | - | 9,543,185 | 2,663,439 | - | - | - | - | - |
| Municipals | 53,155,356 | 1% | 9,039,054 | 40,154,818 | 1,641,864 | 2,319,620 | - | - | - | - | - | - |
| **Commingled Funds (see note)** | | | | | | | | | | | | |
| SSGA STIF | 551,574,529 | 8% | - | - | 551,574,529 | - | - | - | - | - | - | - |
| PIMCO Emerging Markets | 437,462 | 0% | - | - | - | 437,462 | - | - | - | - | - | - |
| PIMCO Emerging Markets Local Currency | 10,556,581 | 0% | - | 10,556,581 | - | - | - | - | - | - | - | - |
| Currency | 84,866,386 | 1% | - | - | - | - | - | - | - | - | - | 84,866,386 |
| **Total** | $ 7,074,459,606 | 100% | $ 5,522,814,758 | $ 269,165,815 | $ 1,114,256,096 | $ 462,791,319 | $ 61,459,180 | $ 91,614,972 | $ 17,404,051 | $ 3,479,440 | $ 6,213,067 | $ (474,739,092) |
| Percentage of total fixed income | 100% | | 78% | 4% | 16% | 7% | 1% | 1% | 0% | 0% | 0% | -7% |

## PEERS

| Security Type | Market Value at June 30, 2009 | % | AAA | AA | A | BBB | BB | B | CCC | C | D | Not Rated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. treasuries | $ 403,632,201 | 54% | $ 403,632,201 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Government guaranteed mortgages | 4,006,995 | 1% | 4,006,995 | - | - | - | - | - | - | - | - | - |
| Agencies | 69,142,162 | 9% | 69,142,162 | - | - | - | - | - | - | - | - | - |
| Collateralized mortgage obligations | 24,053,609 | 3% | 21,099,472 | 452,979 | 15,098 | 801,006 | 699,315 | 974,614 | 11,125 | - | - | - |
| Asset backed securities | 4,992,201 | 1% | 4,083,176 | - | 808,858 | 5,938 | 94,229 | - | - | - | - | - |
| Corporate bonds | 150,265,339 | 20% | 62,660,310 | 21,190,206 | 58,378,377 | 45,401,917 | 4,117,909 | 5,599,994 | 1,081,127 | 461,942 | 418,981 | (49,045,424) |
| Sovereign | 7,357,629 | 1% | 167,798 | 5,900,124 | - | 825,042 | 464,665 | - | - | - | - | - |
| Municipals | 5,347,381 | 1% | 4,271,033 | 584,220 | 334,990 | 157,138 | - | - | - | - | - | - |
| **Commingled Funds (see note)** | | | | | | | | | | | | |
| SSGA STIF | 68,859,695 | 9% | - | - | 68,859,695 | - | - | - | - | - | - | - |
| PIMCO Real Return | 55,161 | 0% | 55,161 | - | - | - | - | - | - | - | - | - |
| PIMCO Emerging Markets | 53,920 | 0% | - | - | - | 53,920 | - | - | - | - | - | - |
| PIMCO Emerging Markets Local Currency | 1,537,284 | 0% | - | 1,537,284 | - | - | - | - | - | - | - | - |
| Currency | 8,031,536 | 1% | - | - | - | - | - | - | - | - | - | 8,031,536 |
| **Total** | $ 747,335,113 | 100% | $ 569,118,308 | $ 29,664,813 | $ 128,397,018 | $ 47,244,961 | $ 5,376,118 | $ 6,574,608 | $ 1,092,252 | $ 461,942 | $ 418,981 | $ (41,013,888) |
| Percentage of total fixed income | 100% | | 76% | 4% | 17% | 6% | 1% | 1% | 0% | 0% | 0% | -5% |

*Note: Commingled Funds are presented at the weighted average credit quality. These funds do not carry a rating in and of themselves; however, the underlying securities are all rated. To more accurately reflect the credit risk of the Systems, these weighted averages were displayed. Government backed securities are not required to be disclosed; however, we feel it shows a more true picture of our fixed income holdings.*

# NOTES TO THE FINANCIAL STATEMENTS

***Foreign Currency Risk*** **–** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Systems do not have a single investment policy designating the allowable exposure to foreign currency; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The Systems' exposure to foreign currency risk is presented on the following tables.

## PSRS

| Currency | Debt | Equity | Currency/ Short Term | Total |
|---|---|---|---|---|
| Australian Dollar | $ (85,782) | $ 98,646,414 | $ 1,511,347 | $ 100,071,979 |
| Brazilian Real | 152,474 | 34,360,348 | 218,395 | 34,731,217 |
| Canadian Dollar | - | 115,512,041 | 1,766,678 | 117,278,719 |
| Colombian Peso | 2,250,339 | - | - | 2,250,339 |
| Czech Koruna | - | 14,758,494 | 584,281 | 15,342,775 |
| Danish Krone | - | 20,896,081 | 149,488 | 21,045,569 |
| Egyptian Pound | - | 2,453,026 | 233 | 2,453,259 |
| Euro Currency | 15,801,484 | 890,792,028 | 10,779,540 | 917,373,052 |
| Hong Kong Dollar | - | 156,179,966 | 1,161,896 | 157,341,862 |
| Hungarian Forint | - | 5,467,496 | 41 | 5,467,537 |
| Indian Rupee | - | 29,102,049 | 200,336 | 29,302,385 |
| Indonesian Rupiah | - | 6,106,486 | 147,570 | 6,254,056 |
| Israeli Shekel | - | 4,454,176 | 83,208 | 4,537,384 |
| Japanese Yen | - | 479,931,947 | 4,052,628 | 483,984,575 |
| Malaysian Ringgit | - | 2,420,900 | 9,017 | 2,429,917 |
| Mexican Peso | 141,889 | 14,753,204 | 62,801 | 14,957,894 |
| New Bulgaria Lev | - | 1,660,493 | 476,602 | 2,137,095 |
| New Romanian Leu | - | - | 42,849 | 42,849 |
| New Taiwan Dollar | - | 37,843,430 | 3,553,397 | 41,396,827 |
| New Zealand Dollar | - | 2,990,259 | 61,805 | 3,052,064 |
| Norwegian Krone | - | 13,211,849 | 505,563 | 13,717,412 |
| Pakistan Rupee | - | 1,874,051 | 38,826 | 1,912,877 |
| Philippine Peso | - | 182,144 | 3,397 | 185,541 |
| Polish Zloty | - | 1,012,069 | 6,748 | 1,018,817 |
| Pound Sterling | 3,323,701 | 516,531,558 | 3,934,445 | 523,789,704 |
| Singapore Dollar | - | 29,470,928 | 377,629 | 29,848,557 |
| South African Rand | - | 48,914,716 | 185,060 | 49,099,776 |
| South Korean Won | - | 60,757,279 | 84,136 | 60,841,415 |
| Swedish Krona | 558,123 | 72,375,794 | 189,856 | 73,123,773 |
| Swiss Franc | 734,449 | 224,227,890 | 169,150 | 225,131,489 |
| Thailand Baht | - | 13,710,567 | 7,136 | 13,717,703 |
| Turkish Lira | - | 25,572,746 | 187,408 | 25,760,154 |
| Ukraine Hryvnia | - | 1,058,485 | - | 1,058,485 |
| | $ 22,876,677 | $ 2,927,228,914 | $ 30,551,466 | $ 2,980,657,057 |

# NOTES TO THE FINANCIAL STATEMENTS

## PEERS

| Currency | Debt | Equity | Currency/ Short Term | Total |
|---|---|---|---|---|
| Australian Dollar | $ (2,234) | $ 9,716,076 | $ 157,788 | $ 9,871,630 |
| Brazilian Real | 22,206 | 3,395,738 | 10,035 | 3,427,979 |
| Canadian Dollar | 306,608 | 12,365,307 | 75,395 | 12,747,310 |
| Colombian Peso | 190,915 | - | - | 190,915 |
| Czech Koruna | - | 1,458,213 | 56,774 | 1,514,987 |
| Danish Krone | - | 2,054,775 | 24,516 | 2,079,291 |
| Egyptian Pound | - | 255,174 | 34 | 255,208 |
| Euro Currency | 882,337 | 86,964,752 | 727,524 | 88,574,613 |
| Hong Kong Dollar | - | 14,788,691 | 111,592 | 14,900,283 |
| Hungarian Forint | - | 509,961 | 31 | 509,992 |
| Indian Rupee | - | 2,764,472 | 18,198 | 2,782,670 |
| Indonesian Rupiah | - | 555,037 | 13,344 | 568,381 |
| Israeli Shekel | - | 517,999 | 7,614 | 525,613 |
| Japanese Yen | - | 47,227,418 | 310,654 | 47,538,072 |
| Malaysian Ringgit | - | 220,213 | 225 | 220,438 |
| Mexican Peso | 13,519 | 1,419,611 | 8,132 | 1,441,262 |
| New Bulgaria Lev | - | 138,080 | 46,055 | 184,135 |
| New Romanian Leu | - | - | 4,007 | 4,007 |
| New Russian Ruble | - | - | (288) | (288) |
| New Taiwan Dollar | - | 3,605,723 | 334,532 | 3,940,255 |
| New Zealand Dollar | - | 241,083 | 6,735 | 247,818 |
| Norwegian Krone | - | 1,298,637 | 36,159 | 1,334,796 |
| Pakistan Rupee | - | 203,229 | 4,852 | 208,081 |
| Philippine Peso | - | 42,301 | 297 | 42,598 |
| Polish Zloty | - | 90,332 | 684 | 91,016 |
| Pound Sterling | 491,122 | 51,503,662 | 341,317 | 52,336,101 |
| Singapore Dollar | - | 2,893,139 | 45,831 | 2,938,970 |
| South African Rand | - | 4,570,298 | 13,097 | 4,583,395 |
| South Korean Won | - | 5,855,488 | 7,688 | 5,863,176 |
| Swedish Krona | - | 6,711,248 | 21,379 | 6,732,627 |
| Swiss Franc | - | 21,922,893 | 40,910 | 21,963,803 |
| Thailand Baht | - | 1,322,624 | 3,057 | 1,325,681 |
| Turkish Lira | - | 2,426,390 | 9,772 | 2,436,162 |
| Ukraine Hryvnia | - | 96,844 | - | 96,844 |
| | $ 1,904,473 | $ 287,135,408 | $ 2,437,940 | $ 291,477,821 |

# NOTES TO THE FINANCIAL STATEMENTS

***Derivatives –*** Derivatives are generally defined as investment instruments whose cash flows or fair values are derived from the value of some other asset or index. The Systems are parties to derivatives which have off-balance sheet risk. These derivative instruments are used in the normal course of business to generate earnings and reduce exposure to fluctuations in market conditions. The Systems are exposed to various types of credit, market, and legal risk related to these investments. Investment staff monitors these types of investments with extreme care and is not aware of any undue risks at this time. Derivatives are reported at fair value on the Statements of Plan Net Assets.

International security managers are authorized to engage in forward contracts to exchange different currencies at a specified date and rate. These forward contracts involve elements of custodial and market risk in excess of the amount recognized in the Statements of Plan Net Assets. The forward exchange contracts activity (purchases and sales) during fiscal years 2009 and 2008 are shown below.

| 2009 | Purchase Value | Fair Value |
|---|---|---|
| PSRS | $ 1,312,821,081 | $ 1,307,531,459 |
| PEERS | 121,844,186 | 121,494,640 |

| 2008 | Purchase Value | Fair Value |
|---|---|---|
| PSRS | $ 2,052,600,128 | $ 2,055,076,797 |
| PEERS | 194,358,473 | 194,586,925 |

The "Net Appreciation Depreciation in Fair Value of Investments" found on the Statements of Changes in Plan Net Assets includes for PSRS a net loss on forward contracts and currency disposal of $38,713,498 during 2008-2009 and a net gain of $16,989,753 during 2007-2008. PEERS had a net loss of $3,931,144 during 2008-2009 and a net loss of $278,095 during 2007-2008.

The Systems could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Systems' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The Systems anticipate that the counterparties will be able to satisfy their obligations under the contracts.

Certain managers are authorized to enter into contractual commitments involving other financial instruments with off-balance-sheet risk. During the year, the Systems held futures, options, forwards and swaps. These derivatives are used to minimize the expenses and volatility of the portfolio and to gain exposure to certain assets without having to actually own the asset.

The following derivatives were held by the Systems at June 30, 2009:

| Type | PSRS Notional Value | PEERS Notional Value |
|---|---|---|
| Equity futures | $ 50,313,778 | $ 7,278,025 |
| Treasury futures | 17,784,500 | 3,218,313 |
| Currency futures | 105,034,408 | 22,169,570 |
| Commodity futures | 11,499,760 | 1,298,360 |
| Cash futures | 16,336,772 | 2,642,341 |
| Total | $ 200,969,218 | $ 36,606,609 |

## PSRS

| Type | PSRS Notional Value | PSRS Exposure |
|---|---|---|
| Interest rate swaps | $ 142,012,492 | $ (1,738,523) |
| Credit default swaps | 309,950,696 | (19,673,674) |
| Total return swaps | 586,107,241 | (205,328) |
| Total | $ 1,038,070,429 | $ (21,617,525) |

## PEERS

| Type | PEERS Notional Value | PEERS Exposure |
|---|---|---|
| Interest rate swaps | $ 21,681,160 | $ 70,741 |
| Credit default swaps | 30,326,584 | (1,901,549) |
| Total return swaps | 52,134,766 | (21,442) |
| Total | $ 104,142,510 | $ (1,852,250) |

| Type | Number of Contracts | PSRS Notional Value | Number of Contracts | PEERS Notional Value |
|---|---|---|---|---|
| Fixed income purchased call options | 178,900,000 | $ 178,900,000 | 17,600,000 | $ 17,600,000 |
| Fixed income written put options | 40,600,000 | 40,600,000 | 3,800,000 | 3,800,000 |
| Fixed income written call options | 3,000,000 | 3,000,000 | - | - |
| Equity futures written call options | 845,641 | 845,641 | 78,935 | 78,935 |
| Currency futures written put options | 8 | 20,000 | 13 | 32,500 |
| Treasury futures written call options | 2 | 2,000 | - | - |
| Treasury futures written put options | 2 | 2,000 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

The derivative financial instruments discussed involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statements of Plan Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The contract or notional amounts of these instruments reflect the extent of the Systems' involvement in each class of financial instrument; however, these amounts do not represent the exposure to market loss.

***Security Lending Activity –*** Under the "prudent person" authority of the governing statutes and in accordance with the policies set by the Board of Trustees, the Systems lend securities to broker-dealers and banks pursuant to a form of loan agreement. The Systems' custodial bank is authorized to act as the Systems' agent to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the Systems' custodial bank lent, on behalf of the Systems, securities and received cash or other collateral including securities issued or guaranteed by the U.S. government, sovereign debt, irrevocable letters of credit, convertible debt and assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. The Systems and their agent did not have the ability to pledge or sell noncash collateral absent borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the United States, or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

Pursuant to the lending agreement, the custodial bank has an obligation to provide a form of indemnification to the Systems in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on their behalf.

The fair value of securities on loan as of June 30, 2009 totaled $1,366,378,379 for PSRS and $142,920,329 for PEERS. On June 30, 2009 the Systems had no credit risk exposure to borrowers as the cash and securities collateral amounts received exceeded amounts on loan.

The Systems and borrowers each maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool. The weighted average duration of such investment pool as of June 30, 2009 was 42.64 days and an average final maturity of 317.62 days. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral.

The collective investment pool in which the cash collateral received from security lending loans is invested has the following characteristics. The fair value of the investments held by the pooled fund is based upon valuations provided by a recognized pricing service. Because the pooled fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, the fund's investments are valued at fair market value for reporting purposes. The pooled fund is not registered with the Securities and Exchange Commission. As of June 30, 2009 the cost basis of PSRS' investment in the fund totaled $1,294,503,245 and PEERS' investment in the fund totaled $135,034,000. As of June 30, 2009 the cost basis of the collateral exceeded market value for PSRS by $62,616,657 and PEERS by $6,531,755 and is reported as net deprecation in fair value of security lending collateral pool on the Statements of Changes in Plan Net Assets. In addition to the cash collateral received, the fair value of securities held as collateral at June 30, 2009 totaled $123,499,842 for PSRS and $13,150,662 for PEERS.

The custodial bank and, consequently, the investment vehicles it sponsors (including the pooled fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Systems' position in the pooled fund is equal to the value of the fund shares. The Systems had no involuntary participation in an external investment pool through this fund and no income from one fund was assigned to another fund by the custodial bank during either fiscal year.

# NOTES TO THE FINANCIAL STATEMENTS

The Systems invest in shares of commingled equity index funds managed by State Street Global Advisors (SSGA). Several of these funds participate in securities lending programs managed by SSGA. The Systems receive a proportionate share of the securities lending income/(loss) generated from these activities. As of June 30, 2009 the cost basis of securities lending collateral for the commingled funds exceeded the market value for PSRS by $20,666,483 and PEERS by $1,558,669 and is reported as net deprecation in fair value of security lending collateral pool on the Statements of Changes in Plan Net Assets. With respect to the SSGA lending funds, investors are limited to monthly redemption requests of 2 to 4% of the System's holdings in the funds.

**Note 5 – Additional Deposits Program**

Section 169.035, RSMo provides for an additional deposits program for PSRS members. Members may make payments above the required defined benefit contribution amount to the retirement system in order to provide a monthly annuity at retirement based on the total of the deposits and interest.

This annuity is in addition to the defined benefit allowance provided by the System. Contributions to the program are tax-sheltered. As of September 1, 1996 new deposits to the program were limited to members currently with deposits in the program. No additional deposits were made during 2008-2009. The only member with deposits and interest left in the program retired effective July 1, 2007 and is receiving monthly annuity payments.

The deposits to the program are included in the investment program of the PSRS defined benefit plan. The additional deposits program's basis of accounting and the asset valuation are identical to the defined benefit plan.

**Note 6 – Schedule of Funded Status and Funding Progress**

The funded status of the Systems as of June 30, 2009, the most recent actuarial valuation date, is as follows:

*(Dollar amount in thousands)*

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) – Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll [(b-a)/c)] |
|---|---|---|---|---|---|---|---|
| **PSRS** | 6/30/2009 | $ 28,826,075 | $ 36,060,121 | $ 7,234,046 | 79.9% | $ 4,439,381 | 162.9% |
| **PEERS** | 6/30/2009 | $ 2,792,182 | $ 3,458,044 | $ 665,862 | 80.7% | $ 1,417,485 | 47.0% |

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the AAL for benefits.

# NOTES TO THE FINANCIAL STATEMENTS

Additional information as of the latest valuations follows:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | June 30, 2009 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent, Open |
| Remaining amortization period | |
| PSRS | 30 years (1) |
| PEERS | 30 years (2) |
| Asset valuation method | 5-year smoothed market<br>Marked to market June 30, 2003 |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increases* | |
| PSRS | 5.0 - 10.25% |
| PEERS | 5.0 - 10.0% |
| *Includes inflation at | 3.25% |
| Cost-of-living adjustments | 3.25% |

1) 30-year amortization assumes an ARC rate of 30.11% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contribution rates will be established by actuarial valuation.

2) 30-year amortization assumes an ARC rate of 13.26% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

**Note 7 – Retirement Plans**

**Section 401 (a) Defined Benefit Plan**

All full-time retirement system employees holding a valid Missouri teaching certificate are covered by PSRS. All other eligible employees are members of PEERS. Both Systems provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 169 RSMo contains the statutory provisions of both Systems.

PSRS members were required to contribute 13.0% of their annual covered salary during 2008-2009 and 12.5% during 2007-2008. PSRS, as the employer, was required to match that amount. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. Employer contributions to PSRS totaled $33,289 for the 2008-2009 fiscal year and $30,510 for the 2007-2008 fiscal year. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 6.25% of their annual covered salary during 2008-2009 and 6.0% during 2007-2008. PSRS, as the employer, was required to match that amount. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620 RSMo. Employer contributions to PEERS totaled $435,590 for the 2008-2009 fiscal year and $379,796 for the 2007-2008 fiscal year. The amounts for these years are equal to the required contributions.

**Section 457 Deferred Compensation Plan**

A voluntary Section 457 deferred compensation plan is administered to provide additional retirement benefits for employees. The plan provides for employer-matching contributions up to a set maximum. The total contributions are subject to the limitations established in IRC Section 457. The Board of Trustees has authority to establish the employer contribution levels. For most employees, the System will match $50 plus 0.52% of salary per month. For certain employees, the System will make employer-paid contributions of $15,500 per year plus $5,000 in catch up contributions, if eligible. This is governed by individual employment contracts as approved by the Board of Trustees.

All employees immediately vest in the employer-matching and employer-paid contributions. Employer-matching contributions totaled $85,479 for the 2008-2009 fiscal year and $79,665 for the 2007-2008 fiscal year. Employer-paid contributions totaled $56,500 for fiscal years 2008-2009 and 2007-2008. Employee contributions totaled $226,688 for the 2008-2009 fiscal year and $189,381 for the 2007-2008 fiscal year.

Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian. Total contributions are sent directly to the third party administrator by the employer. Employees can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Because the System does not hold the plan's assets and does not have significant administrative responsibilities, the plan's assets and changes in net assets are not reported in the Systems' financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**Note 8 – Other Post-Employment Benefit Plans**

**Post-Employment Staff Retiree Healthcare Plan**

***Plan Description and Funding Policy –*** The Public School Retirement System of Missouri Staff Retiree Healthcare Program (SRHP) is a single-employer defined benefit other post-employment benefit (OPEB) plan administered by PSRS. SRHP provides a healthcare premium implicit rate subsidy to eligible staff retirees and their dependents provided they pay 100% of the blended healthcare premium. The blended healthcare premium is based on all active and retired employees. Retiree healthcare benefits are funded on a pay as you go basis, with premiums determined annually. The PSRS Board of Trustees determines the funding of benefits and any benefit amendments. There is no continuing obligation to provide benefits beyond each calendar year. SRHP does not issue a stand alone public financial report.

***Annual OPEB Cost and Net OPEB Obligation –*** PSRS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

PSRS' annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation are as follows:

| | |
|---|---|
| Annual required contribution | $ 205,500 |
| Interest on net OPEB obligation | 8,210 |
| Amortization of net OPEB obligation | (5,700) |
| Annual OPEB cost | 208,010 |
| Contributions made | 28,300 |
| Increase in net OPEB obligation | 179,710 |
| Net OPEB obligation - beginning of year | 183,290 |
| Net OPEB obligation - end of year | $ 363,000 |

PSRS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and the preceding year are as follows:

| Fiscal Year Ended | Annual OPEB Cost (AOC) 1 | % of AOC Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/2008 | $ 218,075 | 16.0% | $ 183,290 |
| 6/30/2009 | $ 208,010 | 13.6% | $ 363,000 |

***Funded Status and Funding Progress –*** SRHP's funded status and funding progress are summarized below:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 6/30/2009 | $ - | $ 1,988,800 | $ 1,988,800 | 0.0% | $ 6,894,700 | 28.8% |

In the June 30, 2009 actuarial valuation, the following assumptions and method were used:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Value of Assets | No Assets (pay-as-you-go) |
| Amortization Method | Level Percent Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Investment Rate of Return | 4.5 % per year |
| Wage Inflation | 5.0 % per year |
| Healthcare Trend | 9.5% in fiscal year 2009, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after |

# NOTES TO THE FINANCIAL STATEMENTS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Method and Assumptions –*** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short –term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspectives of the calculations.

**Post-Employment Health Plan**

PSRS maintains a Post-Employment Health Plan (“PEHP”) for employees. Upon termination, an employee will receive payment at the rate of one day of pay for each tow days of accrued sick leave up to 100 days of accrued sick leave (50 days paid). Any days above 100 will be forfeited. All payments under the PEHP in excess of $1,000 will be transferred into a PEHP account which can be used to pay medical premiums for the employee or dependent at any time in the future. If an employee is retiring, the payments can be transferred back to PSRS on a monthly basis to cover the cost of medical insurance for the retiree. The amount paid into the PEHP was $33,169 for three employees (three retirees) during 2009 and $27,230 for four employees (three retirees and one termination) during 2008. The cost was charged 60% to PSRS and 40% to PEERS.

**Note 9 – Risk Management**

The retirement systems are exposed to various risks of loss related to natural disasters, errors and omissions, loss of assets, torts, etc. The Systems have chosen to cover such losses through the purchase of commercial insurance. There have been no material insurance claims filed or paid during the past three years.

The Systems have a disaster recovery plan that provides for continued computer operations at a remote location should the retirement office be unavailable for normal operations.

**Note 10 – Commitments and Contingencies**

PSRS was committed to the future purchase of investments at a cost of $2,319,163,274 on June 30, 2009 and PEERS had investment commitments of $233,272,052 on June 30, 2009.

PSRS had total capital commitments to real estate, private equity and other alternative investments of $5.4 billion as of June 30, 2009. Of these amounts $2.5 billion remained unfunded as of June 30, 2009. PEERS had total capital commitments to real estate, private equity and other alternative investments of $457.6 million as of June 30, 2009. Of these amounts $204.2 million remained unfunded as of June 30, 2009. The unfunded commitments are not recorded in the Statements of Plan Net Assets.

Certain legal proceedings are pending with PSRS and PEERS arising from normal activities. Although unable to predict the outcome of these matters, the Systems believe the final outcome of these actions will not have a material adverse effect on the Systems’ financial statements.

**Note 11 – Subsequent Events**

As discussed in Note 4 – *Deposits, Investments and Securities Lending Program*, the System’s custodial bank is authorized to act as the Systems’ agent regarding security lending transactions. The required collateral is then invested in collective investment pools, which are governed by Trust agreements. Subsequent to year end, the Systems and the custodial bank are in dispute regarding the terms of the Trust agreement for the Quality D Short-Term Investment Fund (Quality D Fund). The custodial bank believes the Trust Agreement provides them the ability to re-value the Systems’ investments in the Quality D Fund based on a series of prior, System authorized, Custodial bank approved, redemptions. The Systems strongly contest such action. On October 14, 2009, the custodial bank revalued the Systems’ investments in the Quality D Fund by reducing the value by approximately $96 million. The Systems were then provided their revalued portion of the Quality D Fund as an in-kind distribution. The revaluation was based on net asset values as of October 13, 2009. The Systems strongly oppose such action and anticipate recovery of such amounts. The Systems filed a lawsuit in Cole County Circuit Court against the custodial bank on September 18, 2009 in an attempt to prevent the custodial bank from taking such action. The Systems will proceed with litigation to recover any amounts lost as a result of the custodial bank’s action.

# SCHEDULES OF FUNDING PROGRESS

*Required Supplementary Information*

## PSRS

*(Dollar amount in thousands)*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) – Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 6/30/2004 | $ 21,501,572 | $ 26,225,259 [1] | $ 4,723,687 | 82.0% | $ 3,408,230 | 138.6% |
| 6/30/2005 | 23,049,441 | 27,881,513 [1] | 4,832,072 | 82.7 | 3,540,649 | 136.5 |
| 6/30/2006 | 24,801,644 | 30,037,130 [1] | 5,235,486 | 82.6 | 3,775,752 | 138.7 |
| 6/30/2007 | 27,049,004 | 32,396,723 [2] | 5,347,719 | 83.5 | 3,980,698 | 134.3 |
| 6/30/2008 | 28,751,241 | 34,490,452 [1] | 5,739,211 | 83.4 | 4,209,417 | 136.3 |
| 6/30/2009 | 28,826,075 | 36,060,121 [1] | 7,234,046 | 79.9 | 4,439,381 | 162.9 |

[1] There were no legislative changes in fiscal years 2004, 2005, 2006, 2008 or 2009.

[2] The extension of the 25-and-Out and 2.55% provisions to 2013 are included in the AAL for 2007.

## PEERS

*(Dollar amounts in thousands)*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) – Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 6/30/2004 | $ 1,837,308 | $ 2,221,210 [1] | $ 383,902 | 82.7% | $ 984,866 | 39.0% |
| 6/30/2005 | 2,011,566 | 2,414,494 [1] | 402,928 | 83.3 | 1,055,204 | 38.2 |
| 6/30/2006 | 2,218,638 | 2,756,833 [1] | 538,195 | 80.5 | 1,190,994 | 45.2 |
| 6/30/2007 | 2,481,562 | 2,982,813 [2] | 501,251 | 83.2 | 1,275,199 | 39.3 |
| 6/30/2008 | 2,703,762 | 3,278,602 [1] | 574,840 | 82.5 | 1,377,506 | 41.7 |
| 6/30/2009 | 2,792,182 | 3,458,044 [1] | 665,862 | 80.7 | 1,417,485 | 47.0 |

[1] There were no legislative changes in fiscal years 2004, 2005, 2006, 2008 or 2009.

[2] The extension of the 25-and-Out provision to 2013 is included in the AAL for 2007.

# SCHEDULES OF EMPLOYER CONTRIBUTIONS

*Required Supplementary Information*

## PSRS

| Year Ended June 30 | Annual Required Contribution (ARC) | Employer Contribution | Percentage Contributed |
|---|---|---|---|
| 2004 | $ 475,400,520 | $ 359,762,556 | 75.7% |
| 2005 | 593,328,374 | 389,415,997 | 65.6 |
| 2006 | 608,134,319 | 429,578,911 | 70.6 |
| 2007 | 644,969,214 | 472,216,630 | 73.2 |
| 2008 | 656,347,298 | 521,241,501 | 79.4 |
| 2009 | 669,643,988 | 563,454,487 | 84.1 |

## PEERS

| Year Ended June 30 | Annual Required Contribution (ARC) | Employer Contribution | Percentage Contributed |
|---|---|---|---|
| 2004 | $ 62,315,910 | $ 49,976,898 | 80.2% |
| 2005 | 73,948,917 | 53,109,687 | 71.8 |
| 2006 | 79,707,834 | 61,745,505 | 77.5 |
| 2007 | 89,945,503 | 69,235,160 | 77.0 |
| 2008 | 90,727,016 | 77,988,839 | 86.0 |
| 2009 | 96,775,289 | 85,915,562 | 88.8 |

## NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | June 30, 2009 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent, Open |
| Remaining amortization period | |
| PSRS | 30 years (1) |
| PEERS | 30 years (2) |
| Asset valuation method | 5-year smoothed market |
| | Marked to market June 30, 2003 |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increases* | |
| PSRS | 5.0 - 10.25% |
| PEERS | 5.0 - 10.0% |
| *Includes inflation at | 3.25% |
| Cost-of-living adjustments | 3.25% |

1) 30-year amortization assumes an ARC rate of 30.11% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contribution rates will be established by actuarial valuation.

2) 30-year amortization assumes an ARC rate of 13.26% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed .5% of Contribution rates will be established by actuarial valuation.

# STAFF RETIREE HEALTH PLAN - DEFINED BENEFIT OPEB PLAN

*Required Supplementary Information*

## SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 6/30/2008[1] | $ - | $ 2,746,128 | $ 2,746,128 | 0.0% | $ 5,832,445 | 47.1% |
| 6/30/2009 | $ - | $ 1,988,800 | $ 1,988,800 | 0.0% | $ 6,894,700 | 28.8% |

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended | Annual Required Contribution (ARC) | Employer Contributions | Percentage Contributed |
|---|---|---|---|
| 6/30/2008 | $ 218,100 | $ 34,800 | 16.0% |
| 6/30/2009 | $ 205,500 | $ 28,300 | 13.8% |

## SCHEDULE OF PERCENTAGE OF OPEB COST CONTRIBUTED

| Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/2008 | $ 218,100 | 16.0% | $ 183,300 |
| 6/30/2009 | $ 208,000 | 13.6% | $ 363,000 |

## NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Value of Assets | No Assets (pay-as-you-go) |
| Amortization Method | Level Percent Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Investment Rate of Return | 4.5 % per year |
| Wage Inflation | 5.0 % per year |
| Healthcare Trend | 9.5% in fiscal year 2009, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after |

[1] The June 30, 2008 actuarial valuation was the first valuation for the Staff Retiree Health Plan - Defined Benefit OPEB Plan

# SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended June 30, 2009

| | PSRS | PEERS | Combined Totals |
|---|---|---|---|
| **Personnel services** | $ 4,599,420 | $ 3,064,980 | $ 7,664,400 |
| **Professional services** | | | |
| Actuarial services | 296,220 | 111,088 | 407,308 |
| Financial audit services | 30,840 | 20,560 | 51,400 |
| Technology consulting | 339,521 | 226,348 | 565,869 |
| Insurance consulting | 3,600 | 2,400 | 6,000 |
| Legislative consulting | 29,250 | 19,500 | 48,750 |
| Other consultants | 77,150 | 51,433 | 128,583 |
| Legal services | 813,038 | 61,158 | 874,196 |
| Total professional services | 1,589,619 | 492,487 | 2,082,106 |
| **Communications** | | | |
| Information and publicity | 606,696 | 447,817 | 1,054,513 |
| Postage | 66,745 | 44,497 | 111,242 |
| Staff field | 29,283 | 18,534 | 47,817 |
| Telephone | 45,364 | 30,242 | 75,606 |
| Total communications | 748,088 | 541,090 | 1,289,178 |
| **Miscellaneous** | | | |
| Building and utilities | 123,132 | 82,088 | 205,220 |
| Insurance | 77,049 | 51,366 | 128,415 |
| Office | 466,926 | 311,316 | 778,242 |
| Staff development | 180,769 | 166,631 | 347,400 |
| Miscellaneous | 189,396 | 101,627 | 291,023 |
| Total miscellaneous | 1,037,272 | 713,028 | 1,750,300 |
| **Charge for use of capital assets** | - | 619,614 | 619,614 |
| **Depreciation expense** | 2,147,565 | - | 2,147,565 |
| **Total administrative expenses** | $ 10,121,964 | $ 5,431,199 | $ 15,553,163 |

# SCHEDULE OF INVESTMENT EXPENSES

For the year ended June 30, 2009

| | PSRS | PEERS | Combined Totals |
|---|---|---|---|
| **Investment management expenses** | | | |
| U.S. equity | $ 14,676,861 | $ 1,340,686 | $ 16,017,547 |
| Global equity | 13,447,244 | 1,291,731 | 14,738,975 |
| Public debt | 4,423,205 | 387,905 | 4,811,110 |
| Real estate | 717,767 | 72,041 | 789,808 |
| Private equity | 10,211,467 | 768,605 | 10,980,072 |
| Total investment management expenses | 43,476,544 | 3,860,968 | 47,337,512 |
| **Investment consultant fees** | 2,943,443 | 264,248 | 3,207,691 |
| **Custodial bank fees** | 1,186,156 | 103,144 | 1,289,300 |
| **Investment staff expenses** | 1,004,824 | 675,250 | 1,680,074 |
| **Commission recapture income** | (430,807) | (35,301) | (466,108) |
| Total investment expenses | $ 48,180,160 | $ 4,868,309 | $ 53,048,469 |
| **Security lending expenses** | | | |
| Agent fees | $ 8,377,168 | $ 848,024 | $ 9,225,192 |
| Broker rebates | 50,206,215 | 5,531,350 | 55,737,565 |
| Total security lending expenses | $ 58,583,383 | $ 6,379,374 | $ 64,962,757 |

# SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

For the year ended June 30, 2009

| | PSRS | PEERS | Combined Totals |
|---|---|---|---|
| Legal expenses | $ 813,038 | $ 61,158 | $ 874,196 |
| Technology consulting | 339,521 | 226,348 | 565,869 |
| Actuarial services | 296,220 | 111,088 | 407,308 |
| Other consulting | 77,150 | 51,433 | 128,583 |
| Financial audit services | 30,840 | 20,560 | 51,400 |
| Legislative consulting | 29,250 | 19,500 | 48,750 |
| Insurance consulting | 3,600 | 2,400 | 6,000 |
| Total fees | $ 1,589,619 | $ 492,487 | $ 2,082,106 |

# INVESTMENT SECTION

# LETTER FROM RUSSELL INVESTMENT GROUP

Russell Investment Group
909 A Street
Tacoma, Washington 98402-5120
253-439-4243
Fax: 253-439-2491

December 1, 2009

To the Members of the Systems:

Fiscal year 2009 was marked by continued volatility in all financial markets due to the lingering recession. Despite the U. S. government's takeover of Fannie Mae and Freddie Mac and bailout of AIG, investor fears led to a massive sell-off of stocks and overwhelming demand for the safety of U. S. Treasuries. Illiquidity in the fixed income markets, subsequent cessation of borrowing and lending activity, and the globalization of the recession led to steep declines across most major markets worldwide. The calendar year 2008 ended with further declines in housing, retail sales and manufacturing, plummeting corporate earnings and an automobile industry in imminent danger of collapse. Declines in market volatility, improvements in the credit markets, and a rebound in world equity markets that began in the final weeks of March continued through the end of the fiscal year and were signs of encouragement looking forward to fiscal year 2010.

The Total Fund return for the fiscal year ended June 30, 2009 was -19.3% for PSRS and -18.9% for PEERS, behind the policy benchmark return of -18.0%. The fiscal year returns for the U.S. equity and global equity composites were negative at -26.3% and -33.6% (-33.3% for PEERS), respectively. Public debt was the sole asset class that delivered positive performance for the year with returns of 6.6% for PSRS and 6.4% for PEERS.

Last year's strategic decision to sell corporate bonds and purchase Treasury bonds served the plan well as credit spreads widened and investors favored the security of treasury securities. This move was the precursor to the restructuring of the Systems' policy portfolio. Going forward, the policy is broadly segregated into three categories: Safe Assets, Public Risk Assets, and Private Risk Assets. We believe this is an innovative structure that will help the Systems to assess and manage the sources of risk and return in the portfolio going forward.

We at Russell have enjoyed another productive year working with Missouri PSRS/PEERS, and are looking forward to the coming year.

Regards,

Michael M. Hall, ASA, EA, CFA
Director – Investment Strategy
Senior Consultant

# LETTER FROM THE CHIEF INVESTMENT OFFICER

Public School & Education Employee
PSRS/PEERS®
Retirement Systems of Missouri

December 16, 2009

To the Members of the Systems:

On behalf of the PSRS and PEERS Board of Trustees and the internal investment staff, I present the following report on the Systems' investments for the fiscal year ended June 30, 2009.

The United States, and indeed the global economy, was in the midst of the longest recession in the post World War II era during the most recent fiscal year as global stock markets collapsed, with no economy emerging unscathed. The U.S. stock market, as measured by the S&P 500 Index, bottomed at a 12-year low on March 9, 2009, making this bear market the third worst in history with a decline of 57% from the market peak in late 2007. Investment losses spanned the globe as the majority of stock markets outside the U.S. performed even worse and credit markets experienced the greatest level of pain since the Great Depression. Diversification provided very little relief in the downturn and even traditionally 'safe' markets experienced losses and illiquidity as demand for risk assets waned. As a direct result of the financial turmoil, fiscal year 2009 resulted in the worst one-year investment return in the history of the Retirement Systems as PSRS and PEERS earned returns of -19.3% and -18.9%, respectively.

The primary purpose of this annual letter is typically to review the investment activity of the prior fiscal year and to provide the members with an update on significant investment changes within the Systems' portfolios. Nevertheless, the markets have changed considerably in the last two years, even since the close of the PSRS and PEERS most recent fiscal year. Thus, it is worthwhile to cover the following topics in this letter that focus on both fiscal year 2009 and the first half of fiscal year 2010:

- Key points within this year's Financial Report,
- Primary investment portfolio drivers,
- Understanding performance, and
- Prudent investment management.

***Key Points within this year's Financial Report***
As you review the financial information in this report, we believe it is important for the members to be aware of the following points:

- The investment portfolio was structured to incur an appropriate level of risk given a number of factors specific to PSRS/PEERS and, as a result, the Systems incurred less risk than a majority of other public pension funds in the nation,
- Despite the downturn in performance recently, the combined Systems once again ended the year as one of the 50 largest defined benefit plans in the United States,
- In comparison to other large multi-billion dollar public funds, the PSRS and PEERS investment returns for fiscal year 2009 were right at the median (including the time period subsequent to the market lows in early March when markets experienced a meaningful rebound),
- The PSRS/PEERS investment expenses for fiscal year 2009 were 0.45%, or 45 cents for every $100 managed, and
- Investment performance throughout this report is calculated using a time-weighted rate of return based on market values.

***Primary investment portfolio drivers***
Risk management and prudent governance policies are primary drivers of the PSRS/PEERS portfolio – as well as the pursuit of competitive investment returns. The Systems' basic investment objective is to achieve a total return that exceeds the actuarial assumption of 8.0% over long-term investment cycles. The PSRS/PEERS Board of Trustees has historically developed an asset allocation to meet this return requirement with a significant focus on risk (i.e., how the Systems can achieve the expected return with moderate investment and operational risk). This has resulted in an investment portfolio with much less risk than the public fund universe. For the five-year period ended June 30, 2009, 77% of public funds greater than $1 billion took more risk than PSRS/PEERS when examining historic return volatility.

**Address:** P.O. Box 268, 3210 West Truman Blvd., Jefferson City, MO 65102; **Telephone Number:** (573) 634-5290; **Toll Free:** (800) 392-6848
**FAX Numbers:** Membership (573) 634-7934; Investments (573) 634-6248; Employer Services (573) 634-7911; Administration (573) 634-5375
www.psrs-peers.org

To further ensure the achievement of our basic investment objective, the Board adopted a new asset allocation at the June 8, 2009 Board meeting. The new asset allocation did not dramatically alter the investments of the Systems, but it did change how the assets are structured and how risk is assessed. Specifically, the new asset allocation more directly highlights two primary risks to PSRS/PEERS: (1) ***liquidity*** and (2) ***safety***.

> ***Liquidity*** is essential within the portfolio to ensure that adequate funds are available to meet the monthly benefit payments promised to our retirees. Liquidity is also important to provide staff the flexibility to take advantage of investment opportunities during periods of market stress. For example, PSRS/PEERS had a high allocation to U.S. Treasuries during the recent bear market. The Systems were able to quickly redeploy this very liquid asset into distressed and higher returning assets near the market bottom.
>
> ***Safety*** is emphasized in the portfolio with an eye toward a quote from Elroy Dimson from the London Business School who said, "Risk means more things can happen than will happen." In other words, a portion of the portfolio is invested in very safe assets that will remain safe even when "more things happen." Sometimes this also means it is prudent to avoid certain assets or investment types because, while the future actual results are unknowable, the range of possible outcomes is too wide on the downside.

Subsequent to the June 2009 Board meeting, staff implemented changes to the portfolio that will be evident in next year's financial report. Specifically, the asset allocation has been subdivided into three separate categories: Public Risk Assets (primarily liquid), Safe Assets (totally liquid) and Private Risk Assets (primarily illiquid).

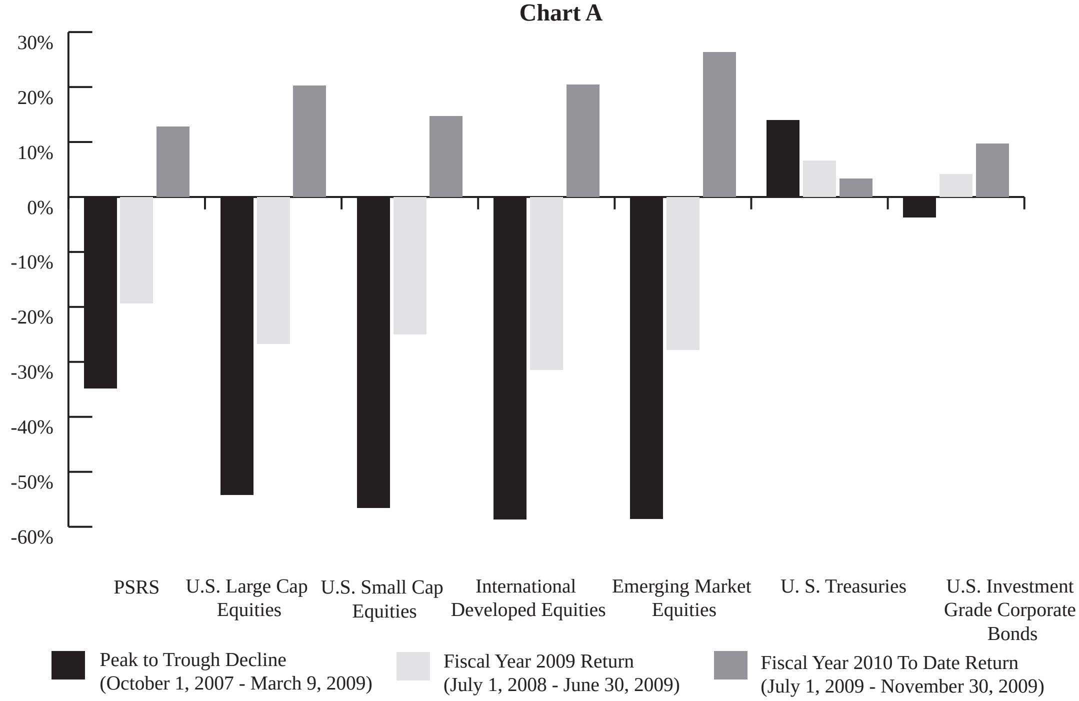
Finally, our goal is to manage an investment program with minimal operational risk. To that end, the PSRS/PEERS Board of Trustees has implemented numerous policies to protect the members' assets. One such policy was particularly important in fiscal year 2009: *PSRS/PEERS may only invest with traditional asset managers and hedge funds that are SEC-registered investment advisors.* Many institutional investors do not have the same policy and invested in non-registered hedge funds last year, such as Bernie Madoff's, that lost all or a significant portion of their value. Further to the point of minimizing operational risks, the Systems have a well-developed Investment Policy to ensure that all investment decisions are made in an ethical and open manner, with a high level of transparency and accountability.

***Understanding performance***

The following chart (Chart A) indicates investment returns for various asset classes for three separate and distinct time periods.

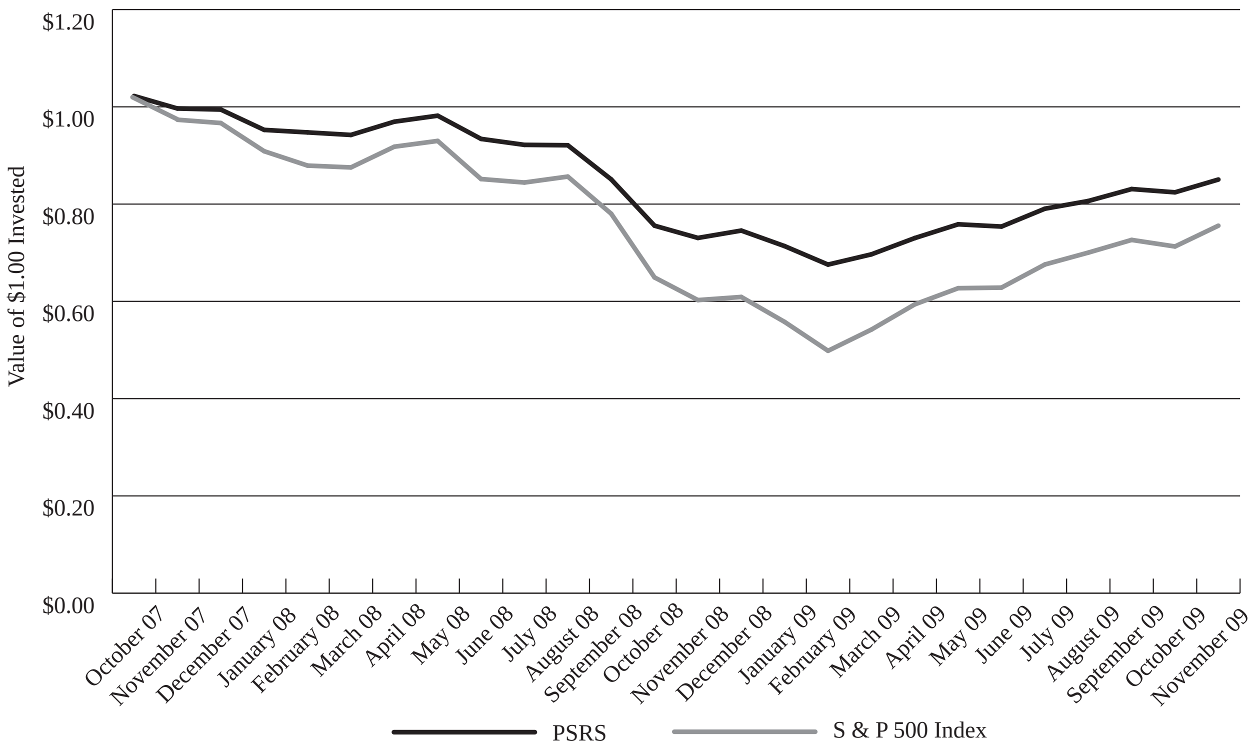
1) **Black bars:** The full bear market period from October 2007 through March 9, 2009,
2) **Light Grey bars:** The 2009 fiscal year return (July 1, 2008 through June 30, 2009) that is reported in this financial report, and
3) **Medium Grey bars:** The 2010 fiscal year return through the time of this report (July 1, 2009 through November 30, 2009).

**Chart A**



In past financial publications, we reported that the PSRS/PEERS Board of Trustees has embraced a philosophy to institute a disciplined and diversified investment portfolio. This philosophy has been implemented over the past several years by the internal investment staff as the portfolio has expanded into multiple asset classes outside of stocks and bonds. A diversified investment portfolio reduces the volatility inherent in a concentrated portfolio in both up and down markets and provides more consistent returns. This is illustrated in Chart A. During the extreme bear market of the last several years, the PSRS/PEERS portfolio was only down about two-thirds as much as the overall stock market. However, during the recent strong market in fiscal year 2010, the PSRS/PEERS portfolio was up about two-thirds as much as the overall stock market. This indicates that, by design, PSRS/PEERS will not experience the extreme highs or lows of the stock market. The result is a lower risk and more consistent (and higher) return pattern over the full time period as evidenced by the chart that follows (Chart B).

**Chart B**




The black bars in Chart A indicate that diversification did very little to protect investors during the most recent bear market. In fact, the only major asset class that had positive returns for that time period was U.S. Treasuries. In January 2008, almost 25% of the entire PSRS/PEERS portfolio was transitioned to U.S. Treasury bonds – the safest and most liquid asset in the world today. Thus, despite a time period when almost every investment declined, the allocation to Treasury securities offered some protection to PSRS/PEERS. As such, during the first three quarters of fiscal year 2009 when the markets were most stressed, PSRS/PEERS outperformed over two-thirds of other multi-billion dollar public institutional investors.

The Systems began to purchase riskier assets at fundamentally sound prices as the overall markets declined throughout fiscal year 2009. To accomplish this, the internal staff directed the sale of over $2 billion in Treasury securities to purchase U.S. investment-grade corporate bonds and other risk-based assets throughout the second half of the fiscal year. Over the long-term, we believe this ability to prudently buy inexpensive assets through various market environments will provide consistent and meaningful investment returns for the Systems. Again, as noted in Chart A, this movement paid dividends immediately in fiscal year 2010 (medium grey bars). Investment grade credit has performed significantly better than U.S. Treasuries for the first five months of the fiscal year. As a result, the disciplined investment process that provided some protection to PSRS/PEERS during the bear market of the previous several years also allowed the Systems to benefit as markets rebounded at the end of fiscal year 2009 and into fiscal year 2010.

***Prudent investment management***

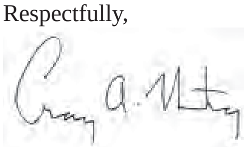
Howard Marks, the Chairman and founder of Oaktree Capital Management, has said that the one key question each investor must answer is “whether he views the future as knowable or unknowable.” As the PSRS/PEERS investment staff studies the economy and the investment environment, we certainly view the future as more “unknowable” than “knowable.” There have been better economic data reported recently which have helped to stabilize the markets in fiscal year 2010. However, the overall U.S. economy remains soft

as sales, employment and credit remain under siege. Specifically, the unemployment rate for November stands at 10% with 7.2 million jobs having been lost since the recession began in December 2007 (the most since the Great Depression). The ailing economy has required the Federal Reserve to maintain short-term interest rates near zero and to continue pumping billions of dollars into the economy. In fact, part of the fuel for the broad-based investment rally since March has been the trillions of dollars in debt-financed stimulus that the world's governments and central banks have been pouring into the economies in their efforts to end the deep recession. As a result, gold prices have maintained elevated levels and the stock market is near its highest level in 13 months.

As an investor who believes the future is more "unknowable," we will continue to focus on the principles that have served PSRS/PEERS well for the last several years: diversification, sufficient liquidity, risk management, transparency and purchasing relatively cheap assets (even risky and sometimes illiquid assets). The Board and staff firmly believe that this approach, regardless of the market environment, will allow the Systems to build an investment portfolio that should achieve at least an 8% rate of return over a long time horizon with acceptable levels of risk.

Our primary goal continues to be providing a safe and secure retirement to our more than 220,000 retirees, active teachers and other school employees. We want to emphasize to all of our members that PSRS and PEERS remain financially sound and well-positioned to continue paying promised benefits to all participants. As always, the Board and professional staff are committed to managing the Systems' assets in a prudent manner that will ensure the viability of your pension.

Respectfully,



Craig A. Husting, CFA
Chief Investment Officer

# INVESTMENT HIGHLIGHTS

As of June 30, 2009

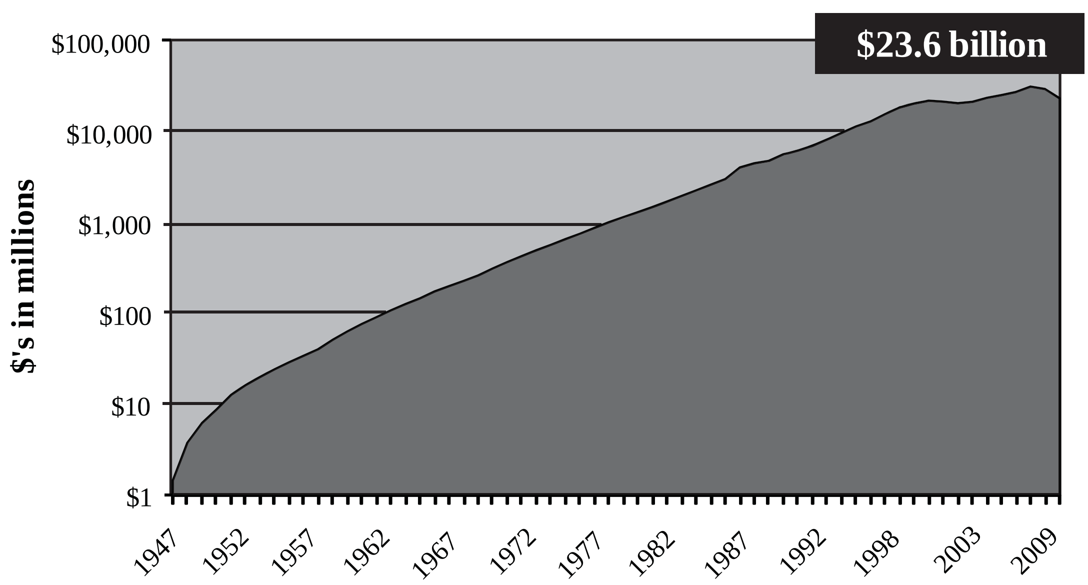
The Board of Trustees of the Public School and Public Education Employee Retirement Systems of Missouri (PSRS/PEERS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the Board has adopted the following principles to guide all investment-related decisions:

(1) Act in the exclusive interest of the members of the Systems,
(2) Maximize total return within prudent risk parameters, and
(3) Preserve the long-term purchasing power of the fund.

The investment portfolios of PSRS/PEERS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities.

Total invested assets decreased to $23.6 billion as of June 30, 2009 from $29.8 billion at the beginning of the fiscal year, a change of approximately $6.2 billion. This decrease resulted from the poor environment in the U.S. and international equity markets primarily due to the credit crisis and lack of liquidity in the markets. These events led to the failure of several global financial institutions during fiscal year 2009. The long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965 is shown in the graph below.

**62 YEARS OF GROWTH**



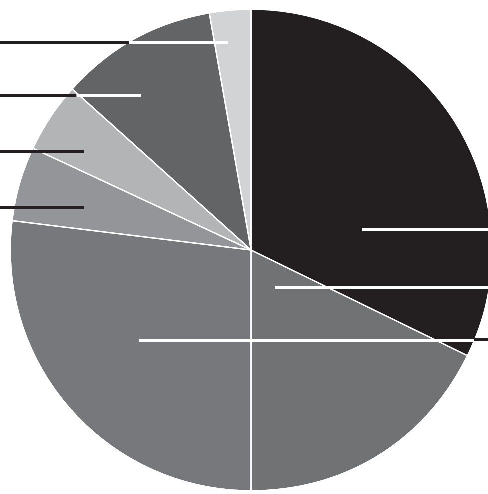
# ASSET ALLOCATION

As of June 30, 2009

The time horizon of the Systems' investment portfolio reflects the long-term nature of the PSRS/PEERS pension obligations. Accordingly, diversification among investments displaying unique risk and return characteristics provides the framework for selecting an asset allocation that is expected, in the aggregate, to give the Systems the highest long-term return within a prudent risk level.

The Systems' investment portfolio includes strategic, long-term commitments in the following asset classes: U.S. Public Equity, Global Public Equity, Public Debt, Real Estate, Private Equity and Absolute Return Assets. The Implementation Pool which served as a placeholder for interim assets which were utilized to fund the alternative asset classes was eliminated in fiscal year 2009. The Systems' asset allocation is reviewed in conjunction with plan liabilities at least every three years.

**ASSET ALLOCATION**
June 30, 2009




| Asset Type | PSRS Market Value | PEERS Market Value | Combined Funds | % of Total | Long-Term Allocation |
|---|---|---|---|---|---|
| **U.S. Public Equity** | $ 6,952,231,347 | $ 680,940,153 | $ 7,633,171,500 | 32.3% | 32.0% |
| **Global Public Equity** | 3,834,410,464 | 372,592,119 | 4,207,002,583 | 17.8% | 18.0% |
| **Public Debt** | 5,803,111,565 | 565,896,330 | 6,369,007,895 | 27.0% | 25.0% |
| **Real Estate** | 1,097,972,083 | 96,947,292 | 1,194,919,375 | 5.1% | 7.5% |
| **Private Equity** | 978,942,769 | 79,769,258 | 1,058,712,027 | 4.5% | 10.5% |
| **Absolute Return Pool** | 2,262,217,385 | 240,176,515 | 2,502,393,900 | 10.6% | 7.0% |
| **Cash & Equivalents*** | 572,923,580 | 68,273,695 | 641,197,275 | 2.7% | 0.0% |
| **Total Investments**** | $ 21,501,809,193 | $ 2,104,595,362 | $ 23,606,404,555 | 100.0% | 100.0% |

** All manager-held cash is reflected as Cash & Equivalents. Managers may hold cash or cash equivalents as part of an active management strategy.*
*** Total Investments includes accrued income and excludes securities lending collateral as of June 30, 2009.*

# TOTAL FUND REVIEW

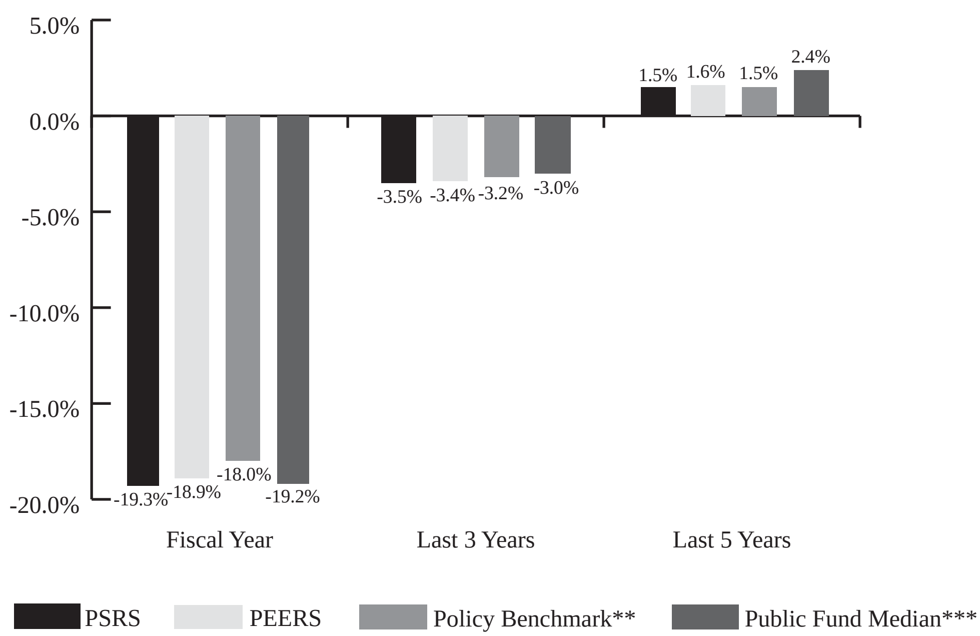
Periods Ended June 30, 2009

**Total Fund Investment Returns***

The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 4.75% per year. The real rate of return is the rate by which the long-term total return exceeds the inflation rate. The one-, three- and five-year total returns for PSRS and PEERS were below the long-term investment objective of 8.0% due to the negative global equity environment resulting from the ongoing credit crisis and lack of liquidity in the markets. These events led to the failure of several global financial institutions during fiscal year 2009. PSRS' total return for the fiscal year was marginally below the public fund median return, while PEERS' total return was slightly above the public fund median return. The Systems' total returns for the three- and five-year time periods were below the public fund median returns largely due to asset allocation and risk tolerance differences. PSRS/PEERS underperformed the policy benchmark returns for the one- and three-year time periods. PSRS' performance equaled the policy benchmark for the five-year time period, while PEERS outperformed the benchmark by 10 basis points during the same time period. The policy benchmark provides an indication of the returns that have been achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in the PSRS/PEERS policy asset allocation.

**TOTAL FUND INVESTMENT RETURNS**
June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | -19.3% | -3.5% | 1.5% |
| PEERS | -18.9% | -3.4% | 1.6% |
| Policy Benchmark ** | -18.0% | -3.2% | 1.5% |
| Public Fund Median *** | -19.2% | -3.0% | 2.4% |




*Investment returns were prepared using a time-weighted rate of return based on market values.*
*** As of June 30, 2009, the Policy Benchmark was comprised of 43.0% Russell 3000 Index, 20.0% Barclays Capital Treasury Blend, 17.5% MSCI All Country World ex-U.S. Free Index, 6.0% NCREIF Property Index (one-quarter lag), 5.0% Barclays Capital U.S. TIPS 1-10 Year Index, 3.5% MSCI All Country World Free Index, 2.1% Barclays Capital U.S. Aggregate Bond Index, 1.5% FTSE NAREIT Equity Index and 1.4% Merrill Lynch High Yield Master II Index.*
**** The Public Fund Median return reflects the performance of a universe of public pension plans with assets in excess of $1 billion.*

# U.S. PUBLIC EQUITY REVIEW

As of June 30, 2009

**Market Value**
As of June 30, 2009, the combined PSRS/PEERS U.S. public equity assets had a market value of approximately $7.9 billion, representing 33.6% of total assets.

**U.S. Public Equity Statistics**
The following table displays the statistical characteristics of the PSRS/PEERS U.S. Public Equity composite as of June 30, 2009 with comparisons shown to the portfolio's policy benchmark (Russell 3000 Index). In addition, the top 10 U.S. stock holdings as of June 30, 2009 are shown in the table below the characteristics.

| Characteristics | June 30, 2009 Combined Systems | June 30, 2009 Russell 3000 Index |
|---|---|---|
| Number of securities | 1,933 | 2,986 |
| Dividend yield | 2.0% | 2.2% |
| Price-to-earnings ratio | 18.8 | 19.8 |
| Average market capitalization | $52.7 billion | $58.7 billion |
| Price-to-book ratio | 3.2 | 3.0 |

| **Top 10 Largest Holdings*** June 30, 2009 | Combined Market Value | % of Total U.S. Public Equity |
|---|---|---|
| Apple, Inc. | $ 86,774,908 | 1.1% |
| Exxon Mobil Corp. | 84,483,788 | 1.1% |
| Google, Inc. | 76,056,101 | 1.0% |
| Qualcomm, Inc. | 70,267,423 | 0.9% |
| Gilead Sciences, Inc. | 66,777,352 | 0.9% |
| Chevron Corp. | 58,940,439 | 0.8% |
| JP Morgan Chase and Co. | 55,069,162 | 0.7% |
| AT&T, Inc. | 51,242,116 | 0.7% |
| Cisco Systems, Inc. | 44,571,632 | 0.6% |
| Goldman Sachs Group, Inc. | 40,245,517 | 0.5% |
| **TOTAL** | **$ 634,428,438** | **8.3%** |

** Includes only actively managed separate accounts.*
*A complete list of portfolio holdings is available upon request.*

# U.S. PUBLIC EQUITY REVIEW

As of June 30, 2009

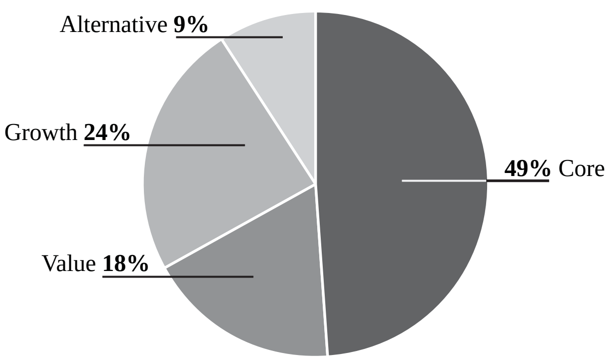
**U.S. Public Equity Structure**

As of June 30, 2009, 37.4% of the PSRS/PEERS U.S. public equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small Cap Alpha Pool (S-CAP) and the Alpha Overlay composite. Both programs represent multi-manager pools of assets managed within the overall PSRS/PEERS U.S. public equity structure. The S-CAP Program encompasses all small capitalization assets and began on July 1, 2005. The Alpha Overlay composite focuses on managers offering higher 'alpha' generating strategies and includes alternative equity mandates (hedge funds).

The pie charts below depict the U.S. public equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite.

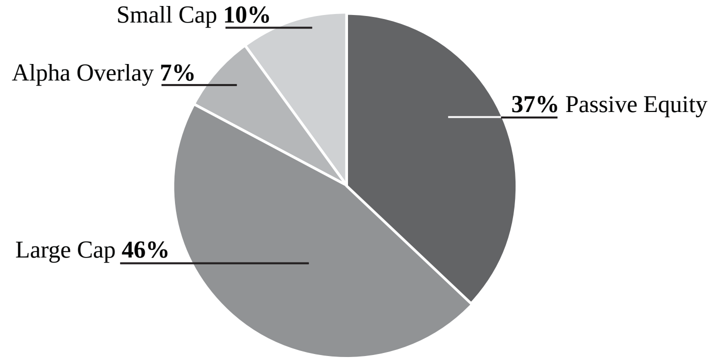
**STYLE ALLOCATION**

June 30, 2009

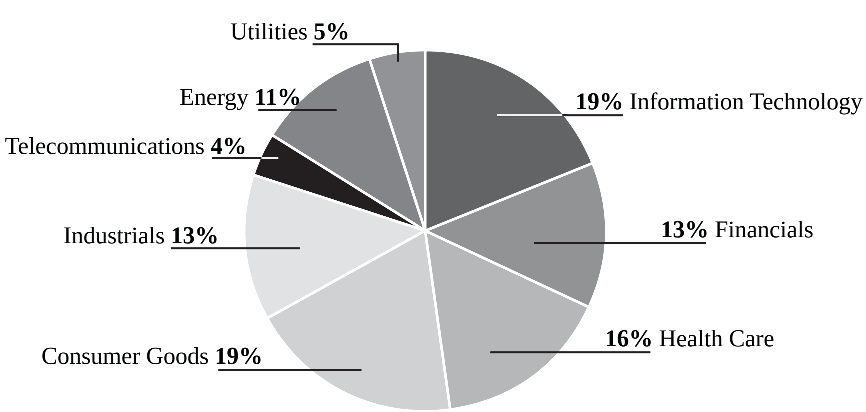



**COMPOSITE ALLOCATION**

June 30, 2009




The following pie chart shows the allocation to market sectors within the U.S. public equity portion of the PSRS/PEERS portfolio as of June 30, 2009.



# U.S. PUBLIC EQUITY REVIEW

As of June 30, 2009

**U.S. Public Equity Investment Advisors**

The following firms were under contract with PSRS/PEERS as of June 30, 2009 for management of U.S. public equity securities.

| Investment Advisor | Investment Style | Combined Portfolio Market Value* As of June 30, 2009 | % of Total Market Value |
|---|---|---|---|
| AllianceBernstein Institutional Management | Active Large Cap Growth | $ 435,632,130 | 1.8% |
| Analytic Investors | Structured Large Cap 120/20 Core | 119,018,218 | 0.5% |
| Analytic Investors | Structured Large Cap Value | 231,041,923 | 1.0% |
| Analytic Investors | U.S. Low Volatility Equity | 162,984,355 | 0.7% |
| AQR Capital Management | Large Cap 140/40 Core | 121,589,807 | 0.5% |
| Aronson + Johnson + Ortiz | Active Large Cap 130/30 Value | 168,951,886 | 0.7% |
| Aronson + Johnson + Ortiz | Active Large Cap Value | 415,070,829 | 1.8% |
| Delaware Investments | Active Large Cap Growth | 341,735,008 | 1.4% |
| Martingale Asset Management | Active Large Cap 130/30 Growth | 308,625,410 | 1.3% |
| Renaissance Institutional Management | U.S. Long/Short | 179,628,937 | 0.7% |
| SSgA - Russell 1000 Index Fund | Passive Russell 1000 Index | 822,627,980 | 3.5% |
| SSgA - S&P 500 Index Fund | Passive S&P 500 Index | 2,148,943,020 | 9.1% |
| Westwood Management | Active Large Cap Value | 487,811,295 | 2.1% |
| Westwood Management | Master Limited Partnerships | 165,378,924 | 0.7% |
| Zevenbergen Capital | Active All Cap Growth | 471,672,812 | 2.0% |
| Alpha Overlay: Algert Coldiron Investors | Multi-Strategy Market Neutral | 61,566,234 | 0.3% |
| Alpha Overlay: Analytic Investors | Japan Market Neutral | 56,499,445 | 0.2% |
| Alpha Overlay: AQR Capital Management | Multi-Strategy | 32,739,250 | 0.1% |
| Alpha Overlay: Bridgewater Associates | Multi-Strategy | 82,083,980 | 0.3% |
| Alpha Overlay: Davidson Kempner | Multi-Strategy | 64,145,162 | 0.3% |
| Alpha Overlay: NISA Investment Advisors | Beta Overlay | 91,952,780 | 0.4% |
| Alpha Overlay: UBS O'Connor | Global Market Neutral | 112,740,167 | 0.5% |
| Alpha Overlay: Zevenbergen Capital | Active All Cap Growth | 69,397,851 | 0.3% |
| ***Alpha Overlay Subtotal*** | | **571,124,869** | **2.4%** |
| S-CAP: AQR Capital Management | Active Small Cap Core | 97,544,582 | 0.4% |
| S-CAP: Chartwell Investment Partners | Active Small Cap Growth | 70,899,471 | 0.3% |
| S-CAP: Chartwell Investment Partners | Active Small Cap Value | 94,010,695 | 0.4% |
| S-CAP: Next Century Growth Investors | Active Small Cap Growth | 119,040,577 | 0.5% |
| S-CAP: Next Century Growth Investors | Active Micro Cap Growth | 6,934,552 | 0.0% |
| S-CAP: Nicholas - Applegate | Active Micro Cap Growth | 70,396,789 | 0.3% |
| S-CAP: NISA Investment Advisors | Russell 2000 Overlay | 153,689,394 | 0.7% |
| S-CAP: Thomson, Horstmann & Bryant | Active Small Cap Core | 177,592,805 | 0.8% |
| ***Small Cap Alpha Pool (S-CAP) Subtotal*** | | **790,108,865** | **3.4%** |
| NISA Investment Advisors | S&P 500 options | (1,046,353) | 0.0% |
| U.S. Public Equity Transition Assets | Core | 6,052 | 0.0% |
| **Total** | | **$ 7,940,905,967** | **33.6%** |

** Includes manager cash.*

# U.S. PUBLIC EQUITY REVIEW

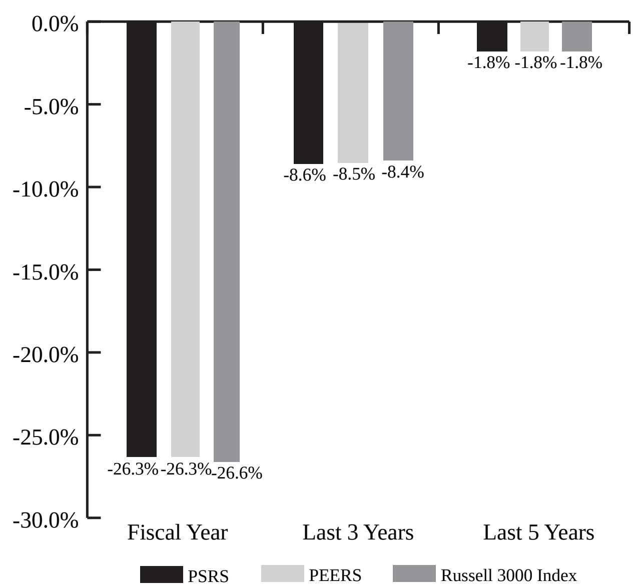
Periods ended June 30, 2009

**U.S. Public Equity Investment Returns**
The U.S. equity market experienced negative returns during fiscal year 2009 due to the ongoing global credit crisis. The market downturn continued throughout the fiscal year until finding a bottom in March 2009 and then recovering a portion of its losses by the fiscal year-end. Portfolios concentrated in small capitalization stocks marginally outperformed portfolios holding larger capitalization stocks in fiscal year 2009 with growth-style large-cap portfolios outperforming value-oriented large-cap funds, although all returns were significantly negative.

The total returns on the PSRS and PEERS U.S. public equity portfolios was -26.3% compared to the benchmark return of -26.6% for the fiscal year ended June 30, 2009. As shown in the table and graph below, the PSRS and PEERS annualized U.S. equity composite returns outperformed the benchmark performance by 30 basis points. For the three-year time period, PSRS underperformed the benchmark by 20 basis points and PEERS underperformed the benchmark by 10 basis points. The Systems' U.S. public equity composite performance equaled benchmark performance for the five-year time period.

**U.S. PUBLIC EQUITY INVESTMENT RETURNS**
June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | -26.3% | -8.6% | -1.8% |
| PEERS | -26.3% | -8.5% | -1.8% |
| Russell 3000 Index | -26.6% | -8.4% | -1.8% |

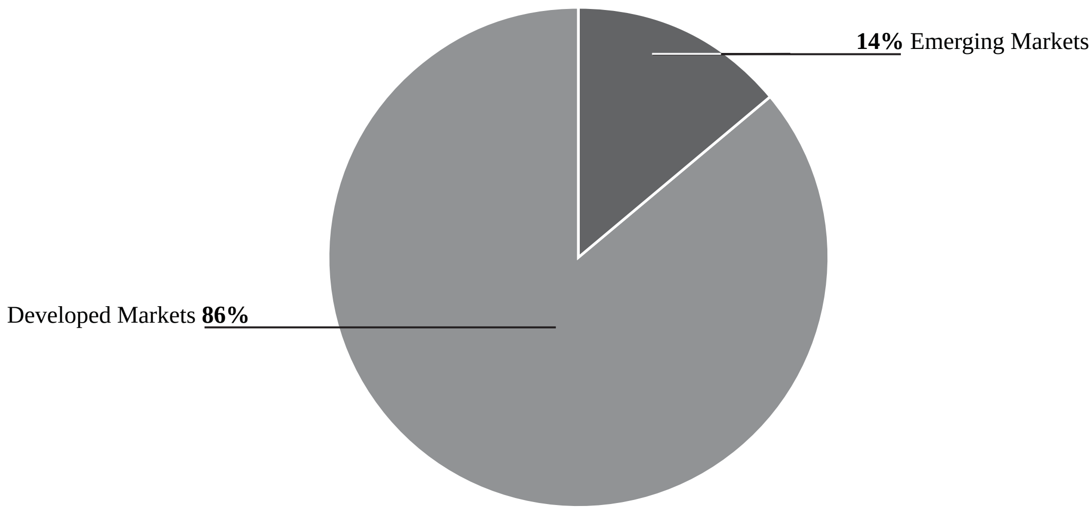


# GLOBAL PUBLIC EQUITY REVIEW

As of June 30, 2009

**Market Value**
As of June 30, 2009, the combined PSRS/PEERS global equity assets had a market value of approximately $4.3 billion, representing 18.3% of total assets.

**Global Public Equity Statistics**
The pie chart below presents a breakdown of investments across developed and emerging markets in the global public equity composite. In addition, the top ten global stock holdings as of June 30, 2009, are shown in the table below the pie chart.




| Top 10 Largest Holdings*<br>June 30, 2009 | Combined<br>Market Value | % of Total<br>Global Public Equity |
|---|---|---|
| Nestle SA | $ 54,421,512 | 1.3% |
| GlaxoSmithKline | 41,675,019 | 1.0% |
| Roche Holdings AG | 40,498,361 | 1.0% |
| Sanofi Aventis | 37,447,532 | 0.9% |
| Vodaphone Group | 37,382,646 | 0.9% |
| Novartis AG | 34,099,364 | 0.8% |
| Telefonica SA | 32,921,125 | 0.8% |
| BP Plc | 31,441,682 | 0.7% |
| Total SA | 30,646,593 | 0.7% |
| E.ON AG | 29,183,999 | 0.7% |
| **TOTAL** | **$ 369,717,833** | **8.8%** |

** Includes only actively managed separate accounts.*
*A complete list of portfolio holdings is available upon request.*

# GLOBAL PUBLIC EQUITY REVIEW

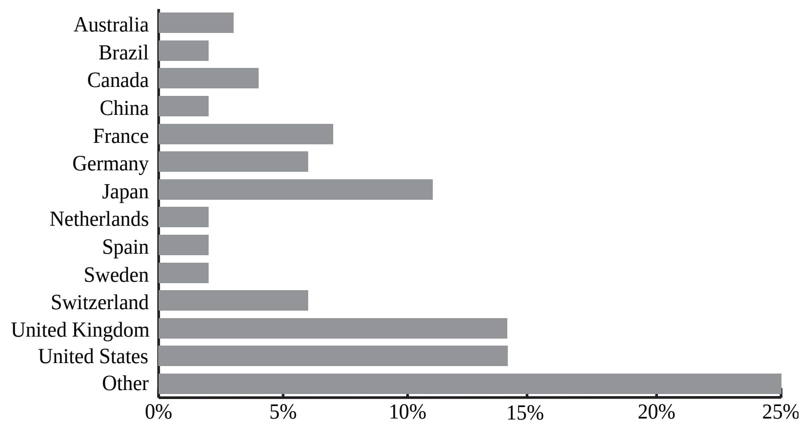
As of June 30, 2009

**Global Public Equity Structure**

As of June 30, 2009, the PSRS/PEERS global equity portfolios were 9.0% passively managed. The remaining 91.0% of the portfolio was actively managed and diversified across capitalization ranges, styles and a number of developed and emerging market countries. The bar graph below displays the specific country exposure within the composite.

**COUNTRY ALLOCATION**

June 30, 2009




**Global Public Equity Investment Advisors**

The following firms were under contract with PSRS/PEERS as of June 30, 2009 for management of global equity securities.

| Investment Advisor | Investment Style | Combined Portfolio Market Value* As of June 30, 2009 | % of Total Market Value |
|---|---|---|---|
| AllianceBernstein Institutional Management | Active International Value | $ 318,757,050 | 1.4% |
| AllianceBernstein Institutional Management | Active Global | 280,326,282 | 1.2% |
| Analytic Investors | Active Global | 212,420,809 | 0.9% |
| AQR Capital Management | Active International Core | 433,578,280 | 1.8% |
| Arrowstreet Capital | Active Global | 456,470,390 | 1.9% |
| Artio Global Investors | Active International Core | 453,892,156 | 1.9% |
| Esemplia Emerging Markets | Active Emerging Markets | 267,599,803 | 1.1% |
| INVESCO Global Asset Management | Active International Value | 374,856,808 | 1.6% |
| McKinley Capital Management | Active International Growth | 388,697,027 | 1.7% |
| MFS Investment Management | Active International Core | 425,733,179 | 1.8% |
| SSgA - MSCI ACWI ex-U.S. Index | Passive International Core | 387,145,178 | 1.7% |
| T. Rowe Price Associates | Active International Growth | 310,133,414 | 1.3% |
| Global Equity Transition Assets | Core | 1,035,632 | 0.0% |
| **Total** | | **$ 4,310,646,008** | **18.3%** |

** Includes manager cash.*

# GLOBAL PUBLIC EQUITY REVIEW

Periods Ended June 30, 2009

**Global Public Equity Investment Returns**

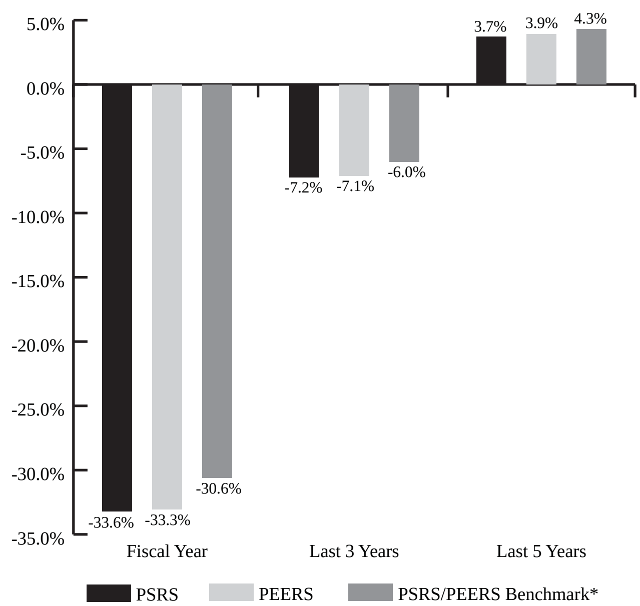
The global equity market experienced negative returns during fiscal year 2009, due to the ongoing global credit crisis with global equities suffering losses even greater than those of the U.S. equity markets. The total returns for the PSRS and PEERS global equity portfolios were -33.6% and -33.3%, respectively, compared to the benchmark return of -30.6% for the fiscal year ended June 30, 2009. Three-and five-year global equity composite returns underperformed the benchmark as noted below.

Emerging markets experienced losses marginally less than the developed non-U.S. equity markets but both were significantly negative.

## GLOBAL PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | -33.6% | -7.2% | 3.7% |
| PEERS | -33.3% | -7.1% | 3.9% |
| PSRS/PEERS Benchmark* | -30.6% | -6.0% | 4.3% |




** The PSRS/PEERS global equity benchmark was comprised of 74.0% MSCI All Country World ex-U.S. Free Index and 26.0% MSCI All Country World Free Index as of June 30, 2009.*

# PUBLIC DEBT REVIEW

As of June 30, 2009

**Market Value**
As of June 30, 2009, the combined PSRS/PEERS public debt assets had a market value of approximately $6.5 billion, representing 27.4% of total assets.

**Fixed Income Statistics**
The following table displays the statistical characteristics of the PSRS/PEERS bond portfolio as of June 30, 2009 with comparisons shown to the Barclays Capital Intermediate U.S. Treasury Index*. Additionally, the top 10 public debt holdings as of June 30, 2009 are shown in the table below the characteristics.

| Characteristics | June 30, 2009 Combined Systems | June 30, 2009 Barclays Capital Intermediate U.S. Treasury Index |
|---|---|---|
| **Number of Securities** | 142 | 118 |
| **Average Coupon** | 3.7% | 3.3% |
| **Yield to Maturity** | 2.3% | 2.1% |
| **Average Maturity (Years)** | 5.4 | 4.3 |
| **Duration (Years)** | 4.2 | 3.9 |

| Top 10 Largest Holdings** June 30, 2009 | Combined Market Value | % of Total Public Debt |
|---|---|---|
| United States Treasury Note, 4.875%, 8/15/16 | $ 485,128,328 | 7.6% |
| United States Treasury Note, 1.75%, 11/15/11 | 275,848,729 | 4.3% |
| United States Treasury Note, 2.75%, 10/31/13 | 200,782,825 | 3.2% |
| United States Treasury Note, 4.875%, 6/30/12 | 190,279,268 | 3.0% |
| United States Treasury Note, 2.0%, 1/15/14 | 168,252,635 | 2.6% |
| United States Treasury Note, 8.75%, 5/15/17 | 165,708,563 | 2.6% |
| United States Treasury Note, 5.125%, 6/30/11 | 157,223,013 | 2.5% |
| United States Treasury Note, 3.125%, 8/31/13 | 148,571,508 | 2.3% |
| United States Treasury Note, 0.875%, 4/15/10 | 130,764,044 | 2.1% |
| United States Treasury Note, 1.125%, 1/15/12 | 129,271,851 | 2.0% |
| **Total** | **$ 2,051,830,764** | **32.2%** |

** The PSRS/PEERS Public Debt Benchmark consisted of 72.0% Barclays Capital Intermediate U.S. Treasury Index, 20.0% Barclays Capital U.S. TIPS 1-10 Year Index and 8.0% Barclays Capital Long U.S. Treasury Index as of June 30, 2009.*
*** Includes only actively managed separate accounts.*
*A complete list of portfolio holdings is available upon request.*

# PUBLIC DEBT REVIEW

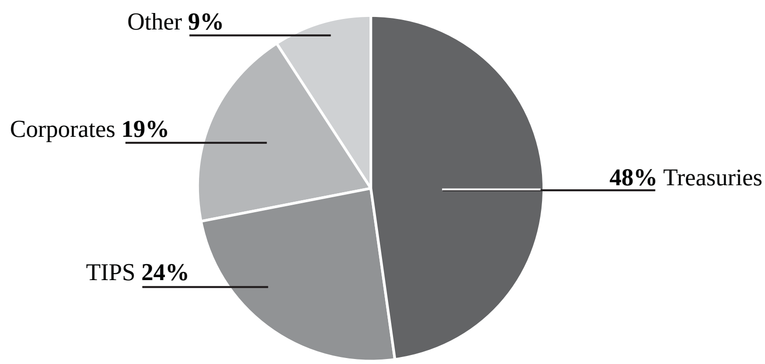
As of June 30, 2009

**Public Debt Structure**

As of June 30, 2009, 100% of the PSRS/PEERS public debt portfolio was actively managed by NISA Investment Advisors. Due to the belief that the credit crisis would increase during 2008 and 2009, the PSRS/PEERS Board of Trustees approved a restructuring of the public debt portfolio at their December 2007 meeting. This resulted in transitioning the public debt portfolio from a core Lehman Aggregate Public Debt portfolio to a U.S. Treasuries and TIPS portfolio. The restructured portfolio's strategic targets included an 80% allocation to U.S. Treasuries and a 20% allocation to U.S. TIPS. This action provided significant downside protection as the credit crisis intensified throughout fiscal year 2008 and into fiscal year 2009. PSRS/PEERS began rebalancing into investment grade corporate bonds during fiscal year 2009 as significant opportunities arose. The pie chart below depicts the public debt composite by showing the sector and composite allocations for the PSRS/PEERS public debt portfolio as of June 30, 2009.

**SECTOR AND COMPOSITE ALLOCATION**

June 30, 2009




**Public Debt Investment Advisor**

The following firm was under contract with PSRS/PEERS as of June 30, 2009 for management of public debt securities.

| Investment Advisor | Investment Style | Combined Portfolio Market Value* As of June 30, 2009 | % of Total Market Value |
|---|---|---|---|
| NISA Investment Advisors | U.S. Treasuries | $ 3,717,521,091 | 15.7% |
| NISA Investment Advisors | U.S. TIPS | 1,548,665,081 | 6.6% |
| NISA Investment Advisors | Corporate Credit | 1,210,223,718 | 5.1% |
| **Total** | | **$ 6,476,409,890** | **27.4%** |

** Includes manager cash.*

# PUBLIC DEBT REVIEW

Periods Ended June 30, 2009

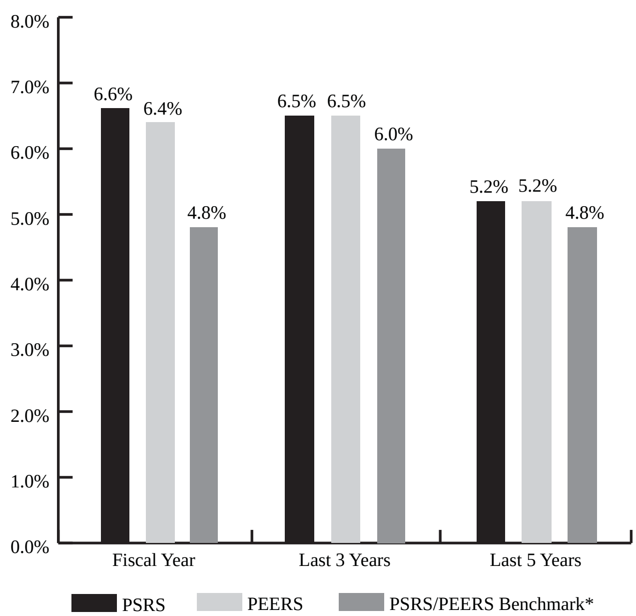
**Public Debt Investment Returns**

The total annualized returns on the PSRS and PEERS public debt portfolios for the fiscal year were 6.6% and 6.4%, respectively. PSRS and PEERS outperformed the Systems' Public Debt benchmark by 180 basis points and 160 basis points, respectively. The annualized total return on the PSRS and PEERS public debt portfolios for the three-year time period exceeded the performance of the Systems' Public Debt Benchmark by 50 basis points, while the annualized total return for the five-year time period exceeded the benchmark by 40 basis points.

**PUBLIC DEBT INVESTMENT RETURNS**

June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | 6.6% | 6.5% | 5.2% |
| PEERS | 6.4% | 6.5% | 5.2% |
| PSRS/PEERS Benchmark* | 4.8% | 6.0% | 4.8% |




** The PSRS/PEERS Public Debt Benchmark consisted of 72.0% Barclays Capital Intermediate U.S. Treasury Index, 20.0% Barclays Capital U.S. TIPS 1-10 Year Index and 8.0% Barclays Capital Long U.S. Treasury Index as of June 30, 2009.*

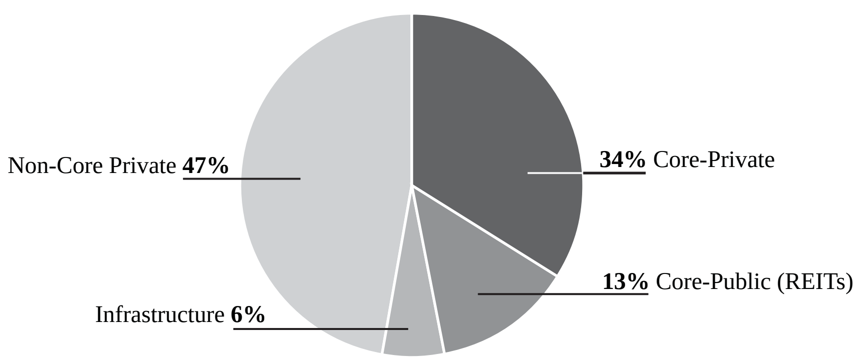
# REAL ESTATE REVIEW

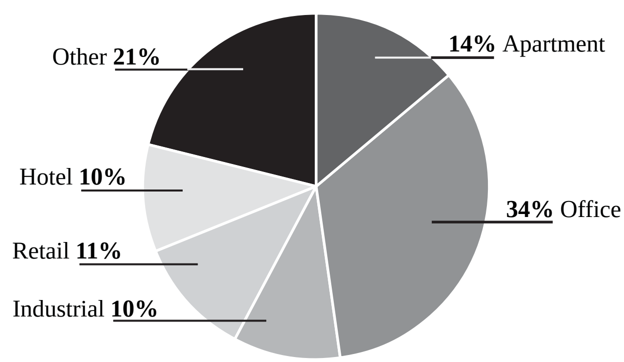
As of June 30, 2009

**Market Value**
As of June 30, 2009, the combined PSRS/PEERS real estate assets committed* for investment were $2.4 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2009 was approximately $1.2 billion, representing 5.1% of total assets. PSRS/PEERS real estate investment commitments* that have not yet been funded were approximately $688 million as of June 30, 2009.

**Real Estate Structure**
In October 2006, the PSRS/PEERS Board of Trustees approved an increase to 7.5% for the target allocation to the real estate asset class. Within the overall real estate allocation, the Systems have established a 55% target allocation to non-core real estate and a 45% allocation to core private real estate. This sub allocation was approved by the PSRS/PEERS Board of Trustees in June 2009. The previous allocation included a 20% allocation to core public real estate (REITs) which was eliminated after the close of the fiscal year. The non-core allocation includes high return and enhanced property types, as well as infrastructure investments. The objective of the real estate allocation is to achieve superior risk-adjusted returns, as well as to benefit from the diversification effect provided by real estate investments.

The left pie chart below shows the current allocation to real estate investment strategies utilizing the market value of the Systems' invested real estate assets. The right pie chart shows the diversification within the real estate composite by property type.




** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

# REAL ESTATE REVIEW

As of June 30, 2009

**Real Estate Investment Advisors**

The following investment advisors and limited partnerships provided investment management for the Systems' real estate assets as of June 30, 2009.

| Investment Advisor | Investment Style | Combined Market Value* As of June 30, 2009 | % of Total Market Value |
|---|---|---|---|
| Alinda Infrastructure Fund I | Infrastructure | $ 37,339,770 | 0.2% |
| AMB Alliance III | Non-Core - Private | 41,911,816 | 0.2% |
| AMB Japan Fund I | Non-Core - Private | 29,668,456 | 0.1% |
| AEW Core Property Fund | Core - Private | 42,687,535 | 0.2% |
| Blackstone R.E. Partners V | Non-Core - Private | 18,280,158 | 0.1% |
| Blackstone R.E. Partners VI | Non-Core - Private | 15,049,429 | 0.1% |
| Capmark Structured R.E. Partners | Non-Core - Private | 5,724,072 | 0.0% |
| Carlyle Europe Real Estate Partners III | Non-Core - Private | 14,146,322 | 0.1% |
| Carlyle Realty V | Non-Core - Private | 49,670,653 | 0.2% |
| CBRE Fund IV | Non-Core - Private | 16,771,129 | 0.1% |
| CBRE Partners US Value 5 | Non-Core - Private | 3,285,352 | 0.0% |
| CB Richard Ellis Investors | Core- Public (Global REITs) | 39,003,330 | 0.2% |
| CIM Fund III | Non-Core - Private | 462,439 | 0.0% |
| CIM Urban REIT | Non-Core - Private | 23,395,114 | 0.1% |
| Colony Investors VIII | Non-Core - Private | 14,182,600 | 0.1% |
| CPI Capital Partners Europe | Non-Core - Private | 15,222,521 | 0.1% |
| Dune Real Estate Fund I | Non-Core - Private | 10,821,413 | 0.0% |
| Forum Asian Realty Income II | Non-Core - Private | 18,530,529 | 0.1% |
| Guggenheim Structured R.E. III | Non-Core - Private | 34,249,151 | 0.1% |
| Heitman Value Partners | Non-Core - Private | 14,560,143 | 0.1% |
| Heitman Value Partners II | Non-Core - Private | 12,656,646 | 0.0% |
| JPMorgan Strategic Property Fund | Core - Private | 127,877,346 | 0.5% |
| LaSalle Asia Opportunity Fund II | Non-Core - Private | 12,708,596 | 0.0% |
| LaSalle Asia Opportunity Fund III | Non-Core - Private | 2,183,918 | 0.0% |
| LaSalle Income & Growth IV | Non-Core - Private | 17,378,295 | 0.1% |
| LaSalle Income & Growth V | Non-Core - Private | 16,850,254 | 0.1% |
| LaSalle Japan Logistics Fund II | Non-Core - Private | 112,316 | 0.0% |
| Lone Star V | Non-Core - Private | 17,034,629 | 0.1% |
| Lone Star VI | Non-Core - Private | 48,181,901 | 0.2% |
| Lone Star Real Estate Fund | Non-Core - Private | 9,867,996 | 0.0% |
| Macquarie Infrastructure Partners | Infrastructure | 35,702,293 | 0.2% |
| MSREF V International | Non-Core - Private | 10,138,132 | 0.0% |
| Morgan Stanley Prime Property Fund | Core - Private | 103,079,841 | 0.4% |
| Noble Hospitality Fund | Non-Core - Private | 547,402 | 0.0% |
| Principal Enhanced Property Fund | Core - Private | 29,511,795 | 0.1% |
| Prudential PRISA Fund | Core - Private | 102,010,119 | 0.4% |
| Prudential PRISA II Fund | Non-Core - Private | 38,678,874 | 0.2% |
| RREEF America REIT III | Non-Core - Private | 19,306,911 | 0.1% |
| Starwood Hospitality Fund | Non-Core - Private | 24,522,037 | 0.1% |
| Urdang Securities Management | Core - Public (U.S. REITs) | 113,436,550 | 0.5% |
| Westbrook R.E. Fund VII | Non-Core - Private | 10,395,343 | 0.0% |
| **Total** | | **$ 1,197,143,126** | **5.1%** |

** Includes manager cash and reflects valuations reported by the Systems' real estate investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2009, the net asset values utilized were cash flow adjusted through June 30, 2009.*

# REAL ESTATE REVIEW

Periods Ended June 30, 2009

**Real Estate Investment Returns**

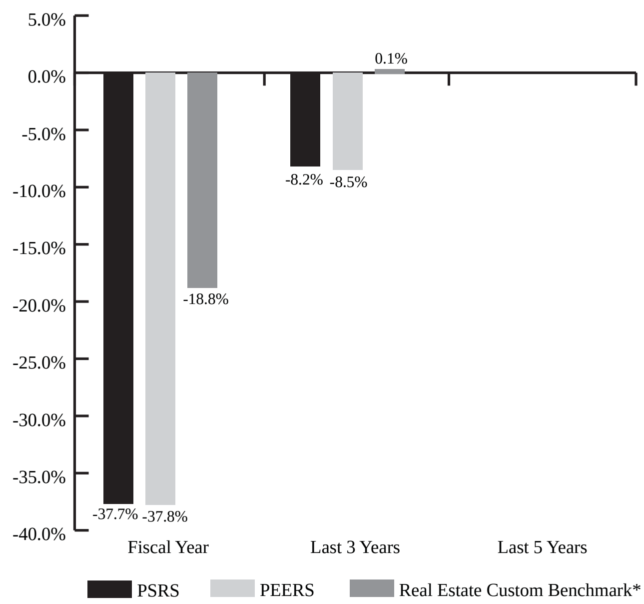
Fiscal year 2009 represented the fourth year that PSRS and PEERS had meaningful assets invested in the real estate asset class. The real estate market weakened in the latter part of fiscal year 2008 and significantly deteriorated during fiscal year 2009. Private real estate investments were negatively impacted by write-downs in commercial real estate properties. The write-downs were directly related to unprecedented lending conditions and the deterioration of investor confidence and real estate fundamentals. The funds and partnerships within the PSRS/PEERS real estate allocation were selected in conjunction with the Systems' real estate consultant, The Townsend Group.

Within the overall real estate universe, public REITs lost 43.3% for the fiscal year while private real estate lost 14.7% (returns are reported on a one-quarter lag). The total returns for the PSRS and PEERS real estate portfolios were -37.7% and -37.8%, respectively, compared to the Systems' benchmark return of -18.8% for the fiscal year ended June 30, 2009. The Systems' returns were much lower than the benchmark in fiscal year 2009 primarily because the managers were aggressive in writing down the valuation of assets. Additionally, PSRS and PEERS recognized most of the losses in the current fiscal year as compared to the benchmark which indicates returns with a quarter lag. Three-year real estate composite returns also underperformed the benchmark.

## REAL ESTATE INVESTMENT RETURNS

June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | -37.7% | -8.2% | N/A |
| PEERS | -37.8% | -8.5% | N/A |
| Real Estate Custom Benchmark* | -18.8% | 0.1% | N/A |




** The Custom Benchmark utilized by the Retirement Systems consists of 80.0% NCREIF Property Index (one-quarter lag) and 20.0% FTSE NAREIT Equity Index as of June 30, 2009. Due to the elimination of core public real estate (REITs), going forward the benchmark will be 100% NCREIF Property Index (one-quarter lag).*

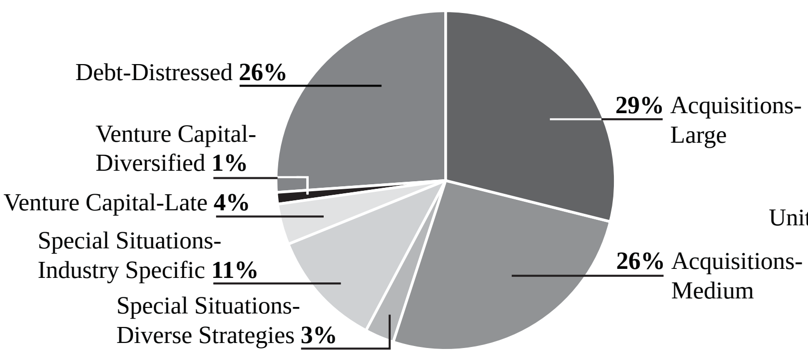
# PRIVATE EQUITY REVIEW

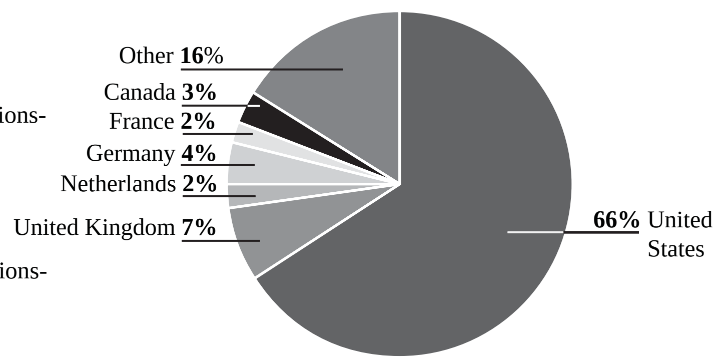
As of June 30, 2009

**Market Value**
As of June 30, 2009, the combined PSRS/PEERS private equity assets committed* for investment were $3.0 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2009 was approximately $1.1 billion, representing 4.5% of total assets. PSRS/PEERS private equity investment commitments* that have not yet been funded were approximately $1.7 billion as of June 30, 2009.

**Private Equity Structure**
The objective for the Systems' allocation to private equity is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. In October 2008, the PSRS/PEERS Board of Trustees approved an increase to 10.5% for the target allocation to the private equity asset class. The long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private equity investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship. Additionally, the Systems have invested in three private equity secondary funds.

The pie charts below show the diversification (utilizing the market value of the assets that have been invested) of the Systems' private equity holdings as of June 30, 2009 from both strategy and country perspectives.




* *Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

# PRIVATE EQUITY REVIEW

As of June 30, 2009

**Private Equity Investment Advisors**

The following investment advisors and limited partnerships provided investment management for the Systems' private equity assets as of June 30, 2009.

| Investment Advisor | Investment Style | Combined Market Value* As of June 30, 2009 | % of Total Market Value |
|---|---|---|---|
| Blackstone Capital Partners V | Acquisition - Large | $ 10,683,119 | 0.1% |
| Carlyle Europe Partners III | Acquisition - Medium | 6,892,167 | 0.0% |
| Carlyle Partners IV | Acquisition - Large | 19,947,760 | 0.1% |
| Carlyle Partners V | Acquisition - Large | 9,201,792 | 0.0% |
| Centerbridge Capital Partners | Acquisition & Debt | 14,143,647 | 0.1% |
| CVC European Equity Partners IV | Acquisition - Large | 18,667,039 | 0.1% |
| CVC European Equity Partners V | Acquisition - Large | 2,539,825 | 0.0% |
| CVC European Equity Tandem Fund | Acquisition - Large | 5,455,613 | 0.0% |
| Exponent Partners II | Acquisition - Medium | 4,855,227 | 0.0% |
| First Reserve Fund XI | Acquisition - Energy | 23,998,000 | 0.1% |
| First Reserve Fund XII | Acquisition - Energy | 6,387,000 | 0.0% |
| Genstar Capital Partners V | Acquisition - Medium | 3,552,470 | 0.0% |
| GTCR Fund IX | Acquisition - Medium | 7,968,088 | 0.0% |
| Hellman & Friedman Capital Partners VI | Acquisition - Large | 19,326,863 | 0.1% |
| Kelso Investment Associates VIII | Acquisition - Medium | 2,195,136 | 0.0% |
| KKR 2006 Fund | Acquisition - Large | 20,919,777 | 0.1% |
| KRG Fund IV | Acquisition - Medium | 2,315,670 | 0.0% |
| Lexington Capital Partners VI-B | Secondary Fund | 80,413,229 | 0.3% |
| Madison Dearborn VI | Acquisition - Large | 2,998,668 | 0.0% |
| Montagu III | Acquisition - Medium | 13,813,794 | 0.1% |
| Nordic VII | Acquisition - Medium | 4,322,755 | 0.0% |
| New Enterprise Associates XIII | Venture Capital | 799,553 | 0.0% |
| OCM Principal Opportunities Fund IV | Debt - Distressed | 31,972,593 | 0.1% |
| OCM Opportunities Fund VII | Debt - Distressed | 24,019,430 | 0.1% |
| OCM Opportunities Fund VIIb | Debt - Distressed | 8,504,443 | 0.0% |
| Odyssey Investment Partners IV | Acquisition - Medium | (164,326) | 0.0% |
| Onex Partners II | Acquisition - Medium | 18,541,009 | 0.1% |
| Onex Partners III | Acquisition - Medium | 1,070,032 | 0.0% |
| Pantheon Global Secondary Fund III | Secondary Fund | 86,513,261 | 0.4% |
| Pathway Capital Management | Fund-of-Funds (A) | 279,225,898 | 1.2% |
| Pathway Capital Management | Fund-of-Funds (B) | 92,962,129 | 0.4% |
| Pathway Capital Management | Fund-of-Funds (C) | 62,913,214 | 0.3% |
| Paul Capital Partners IX | Secondary Fund | 31,020,271 | 0.1% |
| Permira IV | Acquisition - Large | 6,157,750 | 0.0% |
| Providence Equity Partners VI | Acquisition - Media | 13,509,610 | 0.1% |
| Quantum Energy Partners V | Acquisition - Energy | 1,010,718 | 0.0% |
| The Resolute Fund II | Acquisition - Medium | 6,161,841 | 0.0% |
| Silver Lake Partners III | Acquisition - Technology | 4,217,075 | 0.0% |
| TCV VI | Venture Capital | 12,930,933 | 0.1% |
| TCV VII | Venture Capital | 2,114,829 | 0.0% |
| Thoma Cressey Fund VIII | Acquisition - Medium | 19,018,565 | 0.1% |
| TPG Partners V | Acquisition - Large | 10,068,297 | 0.1% |
| TPG Partners VI | Acquisition - Large | 446,813 | 0.0% |
| Wayzata Opportunities Fund | Debt - Distressed | 17,061,674 | 0.1% |
| Wayzata Opportunities Fund II | Debt - Distressed | 34,503,771 | 0.1% |
| Wind Point Partners VI | Acquisition - Medium | 10,891,517 | 0.1% |
| Wind Point Partners VII | Acquisition - Medium | 2,643,488 | 0.0% |
| **Total** | | **$ 1,058,712,027** | **4.5%** |

** Market values as reported by the Systems' private equity investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2009, the net asset values utilized were cash flow adjusted through June 30, 2009.*

# PRIVATE EQUITY REVIEW

Periods Ended June 30, 2009

**Private Equity Investment Returns**

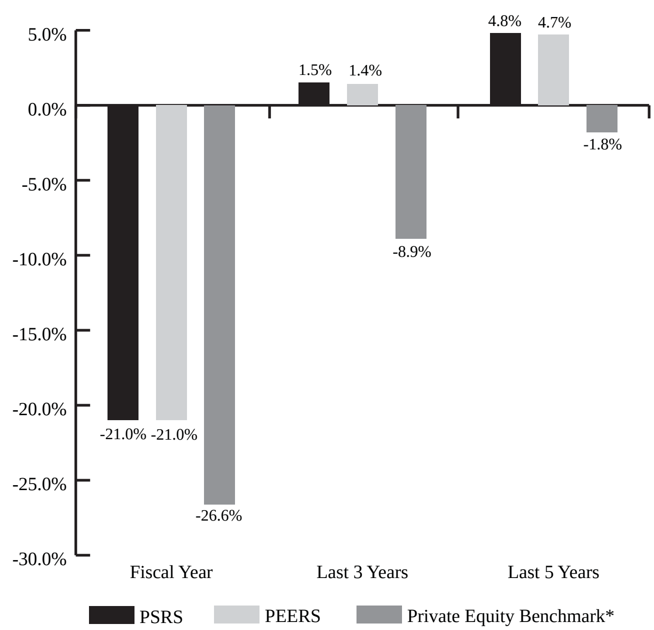
Fiscal year 2009 represented the fifth year that PSRS and PEERS had meaningful assets invested in the private equity asset class. Private equity funds experienced one of the slowest investment periods in history during fiscal year 2009. The pace of investment was directly related to the difficult financing environment and the need for funds to conserve liquidity. The end of fiscal year 2009, and subsequent to year-end, has shown an increase in investment opportunities and activities.

The table and chart below show the Systems' private equity performance relative to its private equity benchmark*. For the fiscal year ended June 30, 2009, the PSRS and PEERS private equity composites each outperformed the benchmark by 560 basis points. PSRS' and PEERS' private equity composites, for the three-year period, exceeded the benchmark return by 1,040 and 1,030 basis points, respectively. For the five-year period, the composites also significantly exceeded the benchmark.

**PRIVATE EQUITY INVESTMENT RETURNS**

June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | -21.0% | 1.5% | 4.8% |
| PEERS | -21.0% | 1.4% | 4.7% |
| Private Equity Benchmark* | -26.6% | -8.9% | -1.8% |




** As of June 30, 2009, the benchmark utilized by the Retirement Systems for the private equity composite was the Russell 3000 Index.*

# ABSOLUTE RETURN POOL REVIEW

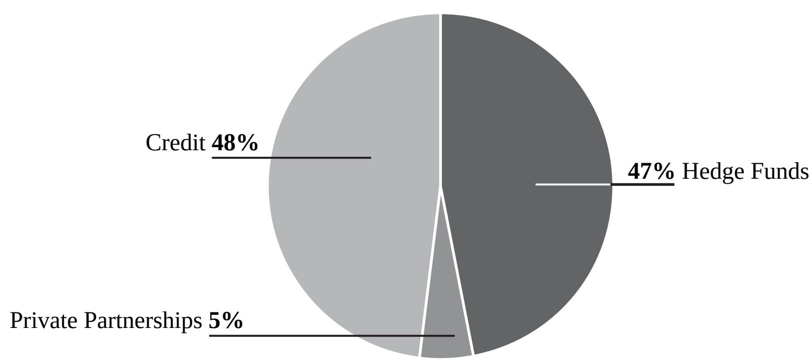
As of June 30, 2009

**Market Value**
As of June 30, 2009, the combined PSRS/PEERS absolute return assets had a market value of approximately $2.6 billion, representing 11.0% of total assets. The absolute return composite includes investments in private funds which PSRS/PEERS has made investment commitments to but have not yet fully funded. As of June 30, 2009, PSRS/PEERS absolute return investment commitments* that have not yet been funded were approximately $294 million.

**Absolute Return Pool Structure**
In October 2006, the PSRS/PEERS Board of Trustees approved the Absolute Return Pool as a separate and distinct asset class with a target allocation of 7.0%. This composite will differ from the Systems' other asset classes primarily through a greater focus on earning consistent, absolute returns across economic and market cycles, as well as providing diversification benefits to the total fund. Within the overall absolute return composite, guidelines have been adopted specifying the following sub-asset class ranges: (1) 0 to 100% in traditional investments such as public equity and debt, (2) 0 to 50% in non-traditional investments such as hedge funds, and (3) 0 to 75% in private investments.

The primary objective of this composite is to achieve a net-of-fees return in excess of 8.0% over the long-term with volatility (standard deviation, or risk) similar to the total fund. It is expected that the volatility will be significantly higher than the Public Debt asset class but lower than the Public Equity asset class over long periods of time.

The pie chart below shows the current allocation to absolute return sub-asset strategies.




** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

# ABSOLUTE RETURN POOL REVIEW

As of June 30, 2009

**Absolute Return Pool Investment Advisors**

The following investment advisors and limited partnerships provided investment management for the Systems' absolute return assets as of June 30, 2009.

| Investment Advisor | Investment Style | Combined Market Value* As of June 30, 2009 | % of Total Market Value |
|---|---|---|---|
| AQR Absolute Return Fund | Multi-Strategy - Relative Value | $ 32,739,250 | 0.1% |
| AQR Diversified Beta Fund | Diversified Beta Fund | 67,579,820 | 0.3% |
| Avenue Capital Group Fund V | Debt - Distressed | 60,580,484 | 0.3% |
| BlackRock Financial Management | Active Mortgages | 438,890,536 | 1.9% |
| Bridgewater All Weather | Multi-Strategy | 89,806,554 | 0.4% |
| Bridgewater Pure Alpha II | Multi-Strategy | 79,906,183 | 0.3% |
| Bridgewater Inflation Pool | Multi-Strategy | (9,763) | 0.0% |
| Brookside Capital | Multi-Strategy | 95,403,840 | 0.4% |
| Caltius IV | Debt - Mezzanine | 975,735 | 0.0% |
| Centerbridge Special Credit Partners | Debt - Distressed | 4,000,000 | 0.0% |
| Davidson Kempner | Multi-Strategy - Event Driven | 44,272,657 | 0.2% |
| Encap Fund VII | Acquisition - Energy | 8,058,278 | 0.0% |
| GoldenTree Asset Management | Relative Value - Credit | 56,920,242 | 0.2% |
| Highbridge Asia | Multi-Strategy | 56,602,325 | 0.2% |
| Indigo Capital V | Debt - Mezzanine | 11,182,394 | 0.1% |
| Maverick Capital | U.S. Long/Short | 93,578,796 | 0.4% |
| Oaktree Bank Loans | Senior Bank Loans | 180,791,342 | 0.8% |
| Och-Ziff Domestic Partners | Multi-Strategy | 78,149,275 | 0.3% |
| Och-Ziff European Domestic Partners | Multi-Strategy | 23,692,945 | 0.1% |
| Pathway Capital Management | Private Fund-of-Funds | 64,084,529 | 0.3% |
| Paulson and Company | Multi-Strategy - Event Driven | 60,000,000 | 0.3% |
| Pacific Investment Management Co. | Core Plus | 398,942,432 | 1.7% |
| Pacific Investment Management Co. | LIBOR Plus | 365,363,529 | 1.5% |
| Renaissance | U.S. Long/short | 59,876,312 | 0.3% |
| Stark Investments | Multi-Strategy - Relative Value | 78,966,470 | 0.3% |
| UBS O'Connor | Multi-Strategy - Relative Value | 36,791,772 | 0.2% |
| York Capital | Multi-Strategy - Event Driven | 100,739,720 | 0.4% |
| **Total** | | **$ 2,587,885,657** | **11.0%** |

** Includes manager cash and reflects valuations reported by the Systems' absolute return investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2009, the net asset values utilized were cash flow adjusted through June 30, 2009.*

# ABSOLUTE RETURN POOL REVIEW

Periods Ended June 30, 2009

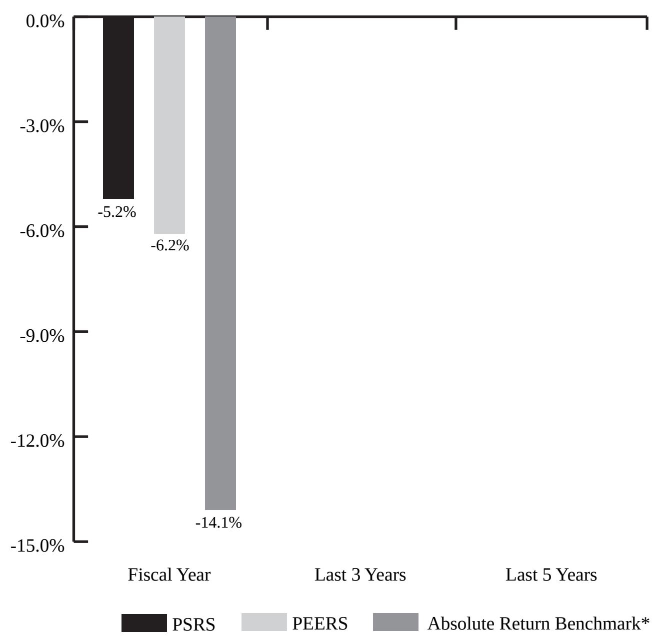
**Absolute Return Pool Investment Returns**

The total annualized returns on the PSRS and PEERS absolute return pool portfolios for the fiscal year were -5.2% and -6.2%, respectively. PSRS' and PEERS' performance was significantly above the Systems' absolute return benchmark.

**ABSOLUTE RETURN INVESTMENT RETURNS**

June 30, 2009

| | Fiscal Year | Last 3 Years | Last 5 Years |
|---|---|---|---|
| PSRS | -5.2% | N/A | N/A |
| PEERS | -6.2% | N/A | N/A |
| Absolute Return Benchmark* | -14.1% | N/A | N/A |




** As of June 30, 2009, the policy benchmark utilized by the Retirement Systems for the absolute return composite was comprised of 50.0% MSCI All Country World Free Index, 30.0% Barclays Capital U.S. Aggregate Bond Index and 20.0% Merrill Lynch High Yield Master II Index.*

# U.S. PUBLIC EQUITY BROKER COMMISSIONS REPORT

For the Fiscal Year Ended June 30, 2009

## PSRS

| Brokerage Firm | Shares Traded | Dollars Traded | Commissions Paid | Cost Per Share |
|---|---|---|---|---|
| INSTINET, LLC | 39,801,082 | $ 866,821,505 | $ 446,206 | $ 0.01 |
| INVESTMENT TECHNOLOGY GROUP, INC. | 30,214,429 | 744,304,840 | 366,671 | 0.01 |
| LIQUIDNET, INC. | 19,571,953 | 375,389,432 | 355,676 | 0.02 |
| GOLDMAN SACHS + CO | 49,679,057 | 868,170,728 | 332,129 | 0.01 |
| MORGAN STANLEY CO INCORPORATED | 40,578,792 | 881,807,787 | 296,947 | 0.01 |
| CREDIT SUISSE SECURITIES (USA), LLC | 14,098,318 | 425,775,666 | 272,699 | 0.02 |
| MERRILL LYNCH, PIERCE, FENNER + SMITH, INC. | 17,930,040 | 480,631,022 | 227,651 | 0.01 |
| BROADCORT CAPITAL | 5,735,564 | 129,761,164 | 210,887 | 0.04 |
| CITIGROUP GLOBAL MARKETS, INC. | 9,760,385 | 286,843,927 | 195,645 | 0.02 |
| DEUTSCHE BANK SECURITIES, INC. | 13,470,538 | 417,047,211 | 193,437 | 0.01 |
| BNY BROKERAGE, INC. | 5,392,033 | 70,705,678 | 190,376 | 0.04 |
| JP MORGAN SECURITIES, INC. | 6,387,892 | 196,585,510 | 176,029 | 0.03 |
| STATE STREET GLOBAL MARKETS, LLC | 3,286,140 | 55,957,401 | 139,585 | 0.04 |
| PIPER JAFFRAY | 3,782,698 | 95,679,694 | 126,884 | 0.03 |
| Other (<$120,000) | 150,231,574 | 2,763,837,594 | 2,580,685 | 0.02 |
| **Total** | **409,920,495** | **$ 8,659,319,159** | **$ 6,111,507** | **$ 0.01** |

## PEERS

| Brokerage Firm | Shares Traded | Dollars Traded | Commissions Paid | Cost Per Share |
|---|---|---|---|---|
| INSTINET, LLC | 3,432,218 | $ 75,703,228 | $ 38,498 | $ 0.01 |
| INVESTMENT TECHNOLOGY GROUP, INC. | 2,919,518 | 73,381,088 | 33,858 | 0.01 |
| BROADCORT CAPITAL | 868,969 | 20,070,143 | 31,477 | 0.04 |
| LIQUIDNET, INC. | 1,690,438 | 32,462,535 | 30,051 | 0.02 |
| GOLDMAN SACHS + CO | 4,092,305 | 76,752,717 | 29,306 | 0.01 |
| MORGAN STANLEY CO INCORPORATED | 3,406,590 | 76,124,905 | 26,487 | 0.01 |
| CREDIT SUISSE SECURITIES (USA), LLC | 1,278,876 | 39,953,475 | 25,479 | 0.02 |
| BNY BROKERAGE, INC. | 558,380 | 7,165,206 | 20,287 | 0.04 |
| MERRILL LYNCH, PIERCE, FENNER + SMITH, INC. | 1,573,183 | 43,965,699 | 20,043 | 0.01 |
| DEUTSCHE BANK SECURITIES, INC. | 1,256,892 | 35,843,843 | 17,680 | 0.01 |
| CITIGROUP GLOBAL MARKETS, INC. | 813,088 | 24,503,377 | 17,556 | 0.02 |
| JP MORGAN SECURITIES, INC. | 613,710 | 18,922,232 | 17,073 | 0.03 |
| STATE STREET BROKERAGE SERVICES | 327,765 | 5,897,562 | 13,382 | 0.04 |
| BARCLAYS CAPITAL LE | 6,714,333 | 31,805,926 | 10,848 | 0.00 |
| Other (<$10,000) | 9,013,270 | 210,054,260 | 241,797 | 0.03 |
| **Total** | **38,559,535** | **$ 772,606,196** | **$ 573,822** | **$ 0.01** |

# GLOBAL PUBLIC EQUITY BROKER COMMISSIONS REPORT

For the Fiscal Year Ended June 30, 2009

## PSRS

| Brokerage Firm | Shares Traded | Dollars Traded | Commissions Paid | Cost (basis points) |
|---|---|---|---|---|
| CREDIT SUISSE FIRST BOSTON | 136,820,857 | $ 1,052,361,809 | $ 722,268 | 6.9 |
| GOLDMAN SACHS + CO | 1,943,902,777 | 905,358,140 | 539,936 | 6.0 |
| MERRILL LYNCH INTERNATIONAL | 283,846,158 | 585,736,378 | 526,888 | 9.0 |
| MORGAN STANLEY CO, INCORPORATED | 87,920,201 | 779,628,862 | 486,869 | 6.2 |
| DEUTSCHE BANK SECURITIES, INC. | 163,025,713 | 607,762,061 | 445,613 | 7.3 |
| JP MORGAN SECURITIES, INC. | 63,484,203 | 440,416,433 | 430,826 | 9.8 |
| CITIGROUP GLOBAL MARKETS, INC. | 77,351,544 | 476,527,393 | 389,056 | 8.2 |
| UBS SECURITIES, LLC | 51,537,437 | 424,508,299 | 367,617 | 8.7 |
| PERSHING SECURITIES LIMITED | 11,462,468 | 204,471,239 | 290,700 | 14.2 |
| INSTINET, LLC | 48,357,800 | 621,235,299 | 259,481 | 4.2 |
| SOCIETE GENERALE SECURITIES | 17,074,484 | 211,680,600 | 120,208 | 5.7 |
| MACQUARIE SECURITIES LIMITED | 39,453,756 | 59,517,820 | 112,822 | 19.0 |
| CREDIT AGRICOLE INDOSUEZ | 7,184,042 | 72,526,298 | 97,760 | 13.5 |
| HSBC BANK PLC | 8,508,577 | 43,062,465 | 70,986 | 16.5 |
| Other (<$70,000) | 212,737,899 | 1,734,480,949 | 1,439,219 | 8.3 |
| **Total** | **3,152,667,916** | **$ 8,219,274,045** | **$ 6,300,249** | **7.7** |

## PEERS

| Brokerage Firm | Shares Traded | Dollars Traded | Commissions Paid | Cost (basis points) |
|---|---|---|---|---|
| CREDIT SUISSE FIRST BOSTON | 12,972,706 | $ 101,672,517 | $ 70,063 | 6.9 |
| GOLDMAN SACHS + CO | 262,541,703 | 83,751,442 | 49,953 | 6.0 |
| MERRILL LYNCH INTERNATIONAL | 34,733,884 | 57,700,348 | 49,492 | 8.6 |
| MORGAN STANLEY CO, INCORPORATED | 8,959,116 | 76,131,503 | 46,410 | 6.1 |
| DEUTSCHE BANK SECURITIES, INC. | 15,612,540 | 60,197,438 | 42,694 | 7.1 |
| JP MORGAN SECURITIES, INC. | 5,287,074 | 41,229,594 | 40,132 | 9.7 |
| CITIGROUP GLOBAL MARKETS, INC. | 6,999,914 | 44,128,937 | 37,970 | 8.6 |
| UBS SECURITIES, LLC | 4,990,213 | 40,682,466 | 35,469 | 8.7 |
| PERSHING SECURITIES LIMITED | 1,137,201 | 18,791,857 | 26,458 | 14.1 |
| INSTINET, LLC | 4,032,732 | 56,327,203 | 23,546 | 4.2 |
| SOCIETE GENERALE SECURITIES | 1,560,946 | 19,518,466 | 10,993 | 5.6 |
| MACQUARIE SECURITIES LIMITED | 3,348,997 | 5,072,663 | 9,873 | 19.5 |
| CREDIT AGRICOLE INDOSUEZ | 752,647 | 7,077,164 | 9,796 | 13.8 |
| HSBC BANK PLC | 689,910 | 3,880,271 | 8,274 | 21.3 |
| Other (<$8,000) | 20,161,956 | 165,697,986 | 136,585 | 8.2 |
| **Total** | **383,781,539** | **$ 781,859,855** | **$ 597,708** | **7.6** |

# INVESTMENT SUMMARY

As of June 30, 2009

| | PSRS/PEERS | Percent of Total Market Value | | |
|---|---|---|---|---|
| **Total Market Value** | **Combined Funds - FY 2009** | **FY 2009** | **FY 2008** | **FY 2007** |
| U.S. Public Equity | $ 7,633,171,500 | 32.3% | 34.2% | 36.9% |
| Global Public Equity | 4,207,002,583 | 17.8 | 19.5 | 21.6 |
| Public Debt | 6,369,007,895 | 27.0 | 20.9 | 23.7 |
| Real Estate | 1,194,919,375 | 5.1 | 5.2 | 3.9 |
| Private Equity | 1,058,712,027 | 4.5 | 3.5 | 1.4 |
| Absolute Return Pool | 2,502,393,900 | 10.6 | 3.0 | 0.5 |
| Implementation Pool | - | - | 11.8 | 9.4 |
| Cash and Equivalents | 641,197,275 | 2.7 | 1.9 | 2.6 |
| **Total** | **$ 23,606,404,555** | **100.0%** | **100.0%** | **100.0%** |

| *Reconciliation with financial statements* | |
|---|---|
| *Total from above* | *$ 23,606,404,555* |
| *Accrued payable for investments purchased* | *2,552,435,326* |
| *Accrued income payable* | *417,389* |
| *Accrued receivable for investments sold* | *(2,481,686,021)* |
| *Accrued income receivable* | *(231,444,816)* |
| *Securities lending receivable* | *2,076,161* |
| *Short-term investments designated for benefits* | *(28,970,347)* |
| ***Statement of Plan Net Assets*** | ***$ 23,419,232,247*** |

# INVESTMENT EXPENSES

For the Year Ended June 30, 2009

| Investment Managers | PSRS | PEERS | Total |
|---|---|---|---|
| **Investment Management Fees** | | | |
| BlackRock Financial Management - Mortgages | $ 709,789 | $ 83,969 | $ 793,758 |
| NISA Investment Advisors - Core | 966,000 | 84,000 | 1,050,000 |
| NISA Investment Advisors - Corporate | 1,155,708 | 100,495 | 1,256,203 |
| NISA Investment Advisors - TIPS | 966,000 | 84,000 | 1,050,000 |
| Oaktree Bank Loans | 391,247 | 34,010 | 425,257 |
| Pacific Investment Management Co - Core and Libor Plus | 234,461 | 1,431 | 235,892 |
| **Public Debt Fees** | 4,423,205 | 387,905 | 4,811,110 |
| Alliance Capital Management | 1,078,572 | 113,247 | 1,191,819 |
| Analytic Investors, LLC - Core | 73,778 | 4,935 | 78,713 |
| Analytic Investors, LLC - Value | 484,979 | 40,653 | 525,632 |
| Analytic Investors, LLC - US Low Vol | 207,248 | 18,197 | 225,445 |
| Analytic Investors, LLC - Global Low Vol | 495,378 | 43,755 | 539,133 |
| AQR Capital Management - 140/40 | 400,298 | 34,008 | 434,306 |
| Aronson & Johnson & Ortiz | 873,782 | 87,145 | 960,927 |
| Aronson & Johnson & Ortiz - 130/30 | 403,810 | 40,343 | 444,153 |
| Arrowstreet Capital 130/30 | 363,355 | 32,699 | 396,054 |
| Delaware Investment Advisors | 1,198,602 | 108,061 | 1,306,663 |
| Martingale Asset Management | 1,414,422 | 123,086 | 1,537,508 |
| NISA S&P 500 Call Options | 45,241 | 3,933 | 49,174 |
| State Street Global Advisors - EAFE Lite | 8,314 | 723 | 9,037 |
| State Street Global Advisors - Russell 1000 Index Fund | 161,435 | 16,843 | 178,278 |
| State Street Global Advisors - S&P 500 Index Fund | 226,029 | 22,179 | 248,208 |
| UBS Global Asset Management | 415,403 | 42,761 | 458,164 |
| Westwood Management | 1,071,118 | 90,667 | 1,161,785 |
| Westwood Management - Master Limited Partnerships | 259,819 | 21,589 | 281,408 |
| Zevenbergen Capital | 798,366 | 71,404 | 869,770 |
| **U.S. Public Equity Fees** | 9,979,949 | 916,228 | 10,896,177 |
| Alliance Bernstein Institutional Mgmt. - Global | 1,344,111 | 124,353 | 1,468,464 |
| Alliance Bernstein Institutional Mgmt. - Value | 816,546 | 79,291 | 895,837 |
| AQR Capital Management | 1,410,380 | 152,980 | 1,563,360 |
| Arrowstreet Capital | 1,296,375 | 116,941 | 1,413,316 |
| Artio Investment Management | 1,677,411 | 157,092 | 1,834,503 |
| Esemplia | 1,488,921 | 135,129 | 1,624,050 |
| INVESCO Global Asset Management | 1,104,435 | 125,174 | 1,229,609 |
| McKinley Capital Management | 1,609,736 | 145,707 | 1,755,443 |
| MFS Institutional Advisors | 1,505,762 | 148,312 | 1,654,074 |
| State Street Global Advisors - ACWI EX. US GIMI PROV | 233,500 | 20,329 | 253,829 |
| T. Rowe Price International, Inc. | 960,067 | 86,423 | 1,046,490 |
| **Global Public Equity Fees** | 13,447,244 | 1,291,731 | 14,738,975 |

*(continued on page 84)*

# INVESTMENT EXPENSES

For the Year Ended June 30, 2009

| **Investment Managers** *(continued from page 83)* | **PSRS** | **PEERS** | **Total** |
|---|---|---|---|
| AQR Capital Management | 460,459 | 36,258 | 496,717 |
| Chartwell Investment Partners - Growth | 694,421 | 58,219 | 752,640 |
| Chartwell Investment Partners - Value | 384,109 | 32,851 | 416,960 |
| Next Century Growth Investors Micro Cap | 41,787 | 3,628 | 45,415 |
| Next Century Growth Investors - Small Cap | 928,234 | 82,293 | 1,010,527 |
| Nicholas-Applegate Capital Management | 505,741 | 44,629 | 550,370 |
| Systematic Financial Management | 169,253 | 13,186 | 182,439 |
| Thomson, Horstmann & Bryant | 651,370 | 78,737 | 730,107 |
| **S - Cap Fees** | 3,835,374 | 349,801 | 4,185,175 |
| **Alpha Overlay Fees** | 861,538 | 74,657 | 936,195 |
| **Real Estate Fees** | 717,767 | 72,041 | 789,808 |
| **Private Equity Fees** | 10,211,467 | 768,605 | 10,980,072 |
| **Commission Recapture Income** | (430,807) | (35,301) | (466,108) |
| **Investment Management Expense** | 43,045,737 | 3,825,667 | 46,871,404 |
| **Custodial Services** | | | |
| State Street Bank & Trust Co. | 1,186,156 | 103,144 | 1,289,300 |
| **Investment Consultants** | | | |
| Albourne America, LLC | 368,000 | 32,000 | 400,000 |
| Frank Russell Co. | 333,713 | 29,019 | 362,732 |
| Pathway Consulting | 1,383,375 | 104,125 | 1,487,500 |
| Pathway Absolute Return Consulting | 455,700 | 34,300 | 490,000 |
| Russell/Mellon Analytical Services | 49,988 | 34,137 | 84,125 |
| Townsend | 352,667 | 30,667 | 383,334 |
| **Investment Consultant Fees** | 2,943,443 | 264,248 | 3,207,691 |
| **Staff Investment Expenses** | 1,004,824 | 675,250 | 1,680,074 |
| **Total Investment Expenses** | $ 48,180,160 | $ 4,868,309 | $ 53,048,469 |

*Note: An additional $17.4 million in private equity fees, $7.3 million in real estate fees, $13.5 million in alpha overlay fees and $14.6 in equity fees within the absolute return strategy were recorded as adjustments to the net value of the investments. Such adjustments included both investment management fees and any applicable incentive fees.*

# ACTUARIAL SECTION

# CERTIFICATION OF ACTUARIAL RESULTS

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers LLP**
One North Wacker
Chicago, IL 60606
Telephone (312) 298-2000
Facsimile (312) 298-2001

November 18, 2009

Board of Trustees
Public School Retirement System of Missouri
Public Education Employee Retirement System of Missouri
3210 West Truman Boulevard
Jefferson City, MO 65109

**Re: Certification of Actuarial Results**

Dear Members of the Board:

At your request, we have performed actuarial valuations of the Public School Retirement System and the Public Education Employee Retirement System of Missouri as of June 30, 2009. An actuarial valuation of each System is performed annually.

The actuarial valuation is based upon:

a. *Data Relative to the Members of the Systems* - Data for all members of each System was provided by the staff. Such data is tested for reasonableness by the actuary but is used unaudited.

b. *Assets of the Fund* - The values of the trust fund assets for each System are provided by the staff. A market related value of assets, with gains and losses recognized ratably over five years, is used to develop actuarial results.

c. *Actuarial Method* - The actuarial method utilized by each System is the Entry Age Normal Cost Method. The objective of this method is to finance the benefits of the Systems as a level percentage of pay over the entire career of each member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.

d. *Actuarial Assumptions* - The actuarial assumptions used in the valuation of each System are summarized in the next few pages. The Board adopted this set of assumptions effective for the actuarial valuations as of June 30, 2006 and later.

The actuarial assumption and methods used are in accordance with paragraph 36 of GASB Statement Number 25.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by the staff with our guidance.

# CERTIFICATION OF ACTUARIAL RESULTS

The Board's statement of funding policy provides that:

1. The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted every fifth year.

2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs allocated as a percentage of payroll.

3. It shall be the general objective to maintain an amortization period of 30 years or less in the funding of the Unfunded Actuarial Accrued Liability. Whenever a change is made in a System's benefit and contribution rate structures, the amortization period for the System after this change should not exceed 30 years initially. Effective with the 2007 Legislative session, the Unfunded Actuarial Accrued Liability for these changes shall be amortized over a 20-year period.

4. If an escalation in future payroll is assumed in determining the amortization payments toward the Unfunded Actuarial Accrued Liability, then the annual rate of such escalation shall not exceed the expected rate of expansion in total System payroll based upon the actuarial assumptions.

5. Assets used in the actuarial valuation shall be valued using adjusted market values averaged over a period of 5 years.

6. Annual actuarial valuations shall be made of the System's assets and liabilities. The contribution rate shall be established based on the results of these valuations.

The results of the valuation are based on the data and actuarial techniques described above and on the provision of each System at the valuation date. Based on these items, we certify these results to be true and correct.

Sincerely,

| | |
|---|---|
| Kim Nicholl, F.S.A. | Brandon Robertson, A.S.A. |
| Managing Director | Manager |

# CALCULATIONS OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

## PSRS
As of June 30, 2009

| | Amount |
|---|---|
| (1) Present value of future benefits for: | |
| Active members | $ 25,466,017,315 |
| Service retirees | 18,834,645,011 |
| Disability retirees | 151,098,659 |
| Tax-sheltered annuitants | 804,757 |
| Survivors | 699,216,845 |
| Death benefits | 59,363,579 |
| Inactive members | 486,449,783 |
| Total | 45,697,595,949 |
| (2) Present value of future normal costs | 9,637,475,025 |
| (3) Actuarial accrued liability ((1)-(2)) | 36,060,120,924 |
| (4) Actuarial value of assets | 28,826,074,727 |
| (5) Unfunded actuarial accrued liability ((3)-(4)) | $ 7,234,046,197 |

## PEERS
As of June 30, 2009

| | Amount |
|---|---|
| (1) Present Value of Future Benefits for: | |
| Active members | $ 3,293,983,010 |
| Service retirees | 1,234,395,986 |
| Disability retirees | 22,861,490 |
| Survivors | 47,767,502 |
| Inactive members | 94,127,282 |
| Total | 4,693,135,270 |
| (2) Present value of future normal costs | 1,235,091,286 |
| (3) Actuarial accrued liability ((1)-(2)) | 3,458,043,984 |
| (4) Actuarial value of assets | 2,792,182,350 |
| (5) Unfunded actuarial accrued liability ((3)-(4)) | $ 665,861,634 |

# REQUIRED CONTRIBUTION RATES AND AMORTIZATIONS OF UNFUNDED LIABILITY

## PSRS

For the fiscal year ending June 30, 2011

| | Percentage of Payroll |
|---|---|
| (1) Total contribution rate, member and employer* | 27.00% |
| (2) Normal cost rate | 21.84% |
| (3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2)) | 5.16% |
| (4) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years | 30.11% |

** While the current contribution rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.*

## PEERS

For the fiscal year ending June 30, 2011

| | Percentage of Payroll |
|---|---|
| (1) Total contribution rate, member and employer* | 13.00% |
| (2) Normal cost rate | 10.88% |
| (3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2)) | 2.12% |
| (4) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years | 13.26% |

** While the current contribution rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.*

# ANALYSIS OF ACTUARIAL GAINS AND LOSSES

## PSRS
As of June 30, 2009
*(Dollar amounts in thousands)*

| | | |
|---|---|---|
| (1) Unfunded actuarial liability as of July 1, 2008 | | $ 5,739,211 |
| (2) Normal cost for 2009 plan year | | 901,180 |
| (3) Contribution received during year | | (1,233,098) |
| (4) Interest to year end at 8.00% on (1), ( 2) and (3) | | 445,859 |
| (5) Expected unfunded actuarial liability as of June 30, 2009 | | 5,853,152 |
| (6) Contribution shortfall | | 83,405 |
| (7) Actuarial (gain)/loss during the year | | |
| a. From investment | $ 1,658,347 | |
| b. From actuarial liabilities | (360,858) | |
| c. Total | | 1,297,489 |
| (8) Actual unfunded actuarial liability as of June 30, 2009 | | $ 7,234,046 |

## PEERS
As of June 30, 2009

| | | |
|---|---|---|
| (1) Unfunded actuarial liability as of July 1, 2008 | | $ 574,839,663 |
| (2) Normal cost for 2009 plan year | | 144,650,219 |
| (3) Contribution received during year | | (182,690,851) |
| (4)Interest to year end at 8.00% on (1), (2), and (3). | | 44,465,547 |
| (5) Expected unfunded actuarial liability as of June 30, 2009 | | 581,264,578 |
| (6) Contribution shortfall | | 13,299,721 |
| (7) Actuarial (gain)/loss during the year | | |
| a. From investment | $ 156,546,281 | |
| b. From actuarial liabilities | (85,248,946) | |
| c. Total | | 71,297,335 |
| (8) Actual unfunded actuarial liability as of June 30, 2009 | | $ 665,861,634 |

# PSRS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

**Mortality -** Sample rates per 1,000 members by age: (effective 6/30/06)

Active and service retired members, beneficiaries and survivors

| | Age | Male | Female |
|---|---|---|---|
| | 20 | 0.430 | 0.262 |
| | 40 | 0.891 | 0.551 |
| | 60 | 5.581 | 2.919 |
| | 80 | 45.171 | 28.366 |
| | 100 | 268.815 | 219.655 |
| **Active % of Retired -** | | 70% | 65% |

**Investment Return -** 8% per annum compound, net of expenses (1980)

**Termination -** Illustrate per 1,000 members (male and female): (2006)

| Service | Rate |
|---|---|
| 0 | 190 |
| 2 | 85 |
| 4 | 62 |
| 10 | 23 |
| 20 | 5 |

**Salary Increases -** Sample annual rates varying by years of service: (effective 6/30/06)

| Service | Increase | Service | Increase |
|---|---|---|---|
| 0 | 10.25% | 9 | 6.5% |
| 3 | 7.75 | 10 | 6.25 |
| 6 | 7.25 | 15 and over | 5.0 |

**Retirement Rates -** Sample rates per 1,000 members: (effective 6/30/06)

| | Years of Service | | | |
|---|---|---|---|---|
| Age | <25 | 25 | 30 | 31+ |
| <55 | N/A | 40 | 350 | 300 |
| 55 | 25 | 450 | 350 | 300 |
| 60 | 200 | 200 | 350 | 300 |
| 65 | 300 | 300 | 350 | 300 |
| 70+ | 1,000 | 1,000 | 1,000 | 1,000 |

# PSRS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

| | |
|---|---|
| **Asset Valuation -** | Based on five-year average of adjusted market value returns (1994). |
| **Payroll Increase -** | Total covered payroll of the entire membership is assumed to increase 5.0% per year (effective 6/30/06). |
| **Inflation -** | 3.25% per annum compound (effective 6/30/06). |
| **Actuarial Method -** | Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1947). |
| **Other -** | In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse, minor children and the ages of the children (effective 6/30/06). |
| **COLA -** | 3.25% per year (effective 6/30/06). |

*Note: Dates reflect the effective date as adopted by the Board of Trustees.*
*The most recent assumption analysis was performed as of June 30, 2006. The revised assumptions were used for the June 30, 2007 valuation going forward.*

# PEERS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

**Mortality -** Sample rates per 1,000 members by age: (effective 6/30/06)

Active and service retired members, beneficiaries and survivors

| | Age | Male | Female |
|---|---|---|---|
| | 20 | 0.530 | 0.273 |
| | 40 | 1.156 | 0.598 |
| | 60 | 8.986 | 3.359 |
| | 80 | 68.615 | 31.727 |
| | 100 | 333.461 | 237.713 |
| **Active % of Retired -** | | 70% | 60% |

**Investment Return -** 8% per annum compound, net of expenses (1980)

**Termination -** Illustrate per 1,000 members (male and female): (2006)

| Service | Rate |
|---|---|
| 0 | 300 |
| 2 | 150 |
| 4 | 100 |
| 10 | 48 |
| 20 | 18 |
| 25 | 0 |

**Salary Increases -** Sample annual rates varying by years of service: (effective 6/30/06)

| Service | Increase | Service | Increase |
|---|---|---|---|
| 0 | 10.00% | 9 | 5.15% |
| 3 | 6.05 | 10 and over | 5.0 |
| 6 | 5.60 | | |

**Retirement Rates -** Sample rates per 1,000 members: (effective 6/30/06)

| | Years of Service | | |
|---|---|---|---|
| Age | <25 | 25 | 30+ |
| <50 | N/A | 50 | 150 |
| 55 | 30 | 270 | 170 |
| 60 | 160 | 160 | 160 |
| 65 | 260 | 260 | 260 |
| 70 | 200 | 200 | 200 |
| 70+ | 1,000 | 1,000 | 1,000 |

# PEERS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

**Asset Valuation -** Based on five-year average of adjusted market values (1994).

**Payroll Increase -** Total covered payroll of the entire membership is assumed to increase 5.0% per year (effective 6/30/06).

**Inflation -** 3.25% per annum compound (effective 6/30/06).

**Actuarial Method -** Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1966).

**Other -** The above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse and average work year (effective 6/30/06).

**COLA -** 3.25% per year. (effective 6/30/06).

*Note: Dates reflect the effective date as adopted by the Board of Trustees.*
*The most recent assumption analysis was performed as of June 30, 2006. The revised assumptions were used for the June 30, 2007 valuation going forward.*

# SCHEDULES OF ACTIVE MEMBER VALUATION DATA

## PSRS

| Actuarial Valuation Date | Number of Members | Covered Annual Payroll (000's) | Average Annual Salary | % Increase in Average Salary | Average Attained Age | Average Years of Service |
|---|---|---|---|---|---|---|
| 6/30/2000 | 71,706 | $ 2,836,062 | $ 39,581 | 3.1% | 42.5 | 11.6 |
| 6/30/2001 | 72,688 | 2,982,051 | 41,025 | 3.7 | 42.4 | 11.3 |
| 6/30/2002 | 73,673 | 3,213,461 | 43,618 | 6.3 | 42.3 | 11.2 |
| 6/30/2003 | 74,347 | 3,373,058 | 45,369 | 4.0 | 42.4 | 11.3 |
| 6/30/2004 | 73,797 | 3,408,230 | 46,184 | 1.8 | 42.5 | 11.4 |
| 6/30/2005 | 73,850 | 3,540,649 | 47,944 | 3.8 | 42.5 | 11.4 |
| 6/30/2006 | 75,540 | 3,775,752 | 49,983 | 4.3 | 42.4 | 11.2 |
| 6/30/2007 | 77,121 | 3,980,698 | 51,616 | 3.3 | 42.3 | 11.1 |
| 6/30/2008 | 78,436 | 4,209,417 | 53,667 | 4.0 | 42.2 | 11.1 |
| 6/30/2009 | 79,335 | 4,439,381 | 55,957 | 4.3 | 42.2 | 11.1 |

## PEERS

| Actuarial Valuation Date | Number of Members | Covered Annual Payroll (000's) | Average Annual Salary | % Increase in Average Salary | Average Attained Age | Average Years of Service |
|---|---|---|---|---|---|---|
| 6/30/2000 | 43,533 | $ 735,400 | $ 16,893 | 2.5% | 44.5 | 6.4 |
| 6/30/2001 | 45,517 | 814,158 | 17,887 | 5.9 | 44.6 | 6.3 |
| 6/30/2002 | 46,728 | 895,420 | 19,162 | 7.1 | 44.8 | 6.4 |
| 6/30/2003 | 46,863 | 971,177 | 20,724 | 8.2 | 45.3 | 6.6 |
| 6/30/2004 | 45,880 | 984,866 | 21,466 | 3.6 | 46.2 | 7.0 |
| 6/30/2005 | 46,598 | 1,055,204 | 22,645 | 5.5 | 46.6 | 7.1 |
| 6/30/2006 | 48,188 | 1,190,994 | 24,716 | 9.1 | 46.4 | 7.1 |
| 6/30/2007 | 49,281 | 1,275,199 | 25,876 | 4.7 | 46.6 | 7.2 |
| 6/30/2008 | 50,865 | 1,377,506 | 27,082 | 4.7 | 46.8 | 7.3 |
| 6/30/2009 | 51,234 | 1,417,485 | 27,667 | 2.2 | 47.1 | 7.7 |

# SOLVENCY TESTS

## PSRS

*(Dollar amounts in thousands)*

| Actuarial Valuation Date | Actuarial Accrued Liability for: Member Contributions | Current Retirees & Beneficiaries | Active & Inactive Members Employer Financed Portion | Net Assets Available for Benefits | Percentage of Actuarial Liabilities Covered by Net Assets for: | | |
|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | | (1) | (2) | (3) |
| 6/30/2000 | $ 3,976,059 | $ 7,801,845 | $ 6,501,209 | $ 19,437,223 | 100.00% | 100.00% | 117.8% |
| 6/30/2001 | 4,129,191 | 9,504,921 | 7,648,091 | 21,146,294 | 100.00 | 100.00 | 98.2 |
| 6/30/2002 | 4,354,507 | 10,589,546 | 8,389,885 | 22,236,105 | 100.00 | 100.00 | 86.9 |
| 6/30/2003 | 4,687,227 | 11,387,543 | 8,644,680 | 20,047,982 | 100.00 | 100.00 | 46.0 |
| 6/30/2004 | 4,954,080 | 12,625,925 | 8,645,254 | 21,501,572 | 100.00 | 100.00 | 45.4 |
| 6/30/2005 | 5,119,055 | 13,976,901 | 8,785,557 | 23,049,441 | 100.00 | 100.00 | 45.0 |
| 6/30/2006 | 5,453,906 | 15,371,279 | 9,211,945 | 24,801,644 | 100.00 | 100.00 | 43.2 |
| 6/30/2007 | 5,787,667 | 17,059,613 | 9,549,443 | 27,049,004 | 100.00 | 100.00 | 44.0 |
| 6/30/2008 | 6,174,718 | 18,548,552 | 9,767,182 | 28,751,241 | 100.00 | 100.00 | 41.2 |
| 6/30/2009 | 6,299,067 | 19,745,129 | 10,015,925 | 28,826,075 | 100.00 | 100.00 | 27.8 |

## PEERS

*(Dollar amounts in thousands)*

| Actuarial Valuation Date | Actuarial Accrued Liability for: Member Contributions | Current Retirees & Beneficiaries | Active & Inactive Members Employer Financed Portion | Net Assets Available for Benefits | Percentage of Actuarial Liabilities Covered by Net Assets for: | | |
|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | | (1) | (2) | (3) |
| 6/30/2000 | $ 274,167 | $ 467,653 | $ 653,480 | $ 1,522,660 | 100.00% | 100.00% | 119.5% |
| 6/30/2001 | 301,936 | 565,126 | 769,014 | 1,686,242 | 100.00 | 100.00 | 106.5 |
| 6/30/2002 | 354,296 | 651,295 | 850,391 | 1,810,619 | 100.00 | 100.00 | 94.7 |
| 6/30/2003 | 394,925 | 731,059 | 923,732 | 1,677,770 | 100.00 | 100.00 | 59.7 |
| 6/30/2004 | 444,318 | 804,864 | 972,028 | 1,837,308 | 100.00 | 100.00 | 60.5 |
| 6/30/2005 | 466,259 | 904,292 | 1,043,943 | 2,011,566 | 100.00 | 100.00 | 61.4 |
| 6/30/2006 | 524,014 | 1,020,486 | 1,212,333 | 2,218,638 | 100.00 | 100.00 | 55.6 |
| 6/30/2007 | 580,853 | 1,093,650 | 1,308,310 | 2,481,562 | 100.00 | 100.00 | 61.7 |
| 6/30/2008 | 650,970 | 1,215,036 | 1,412,596 | 2,703,762 | 100.00 | 100.00 | 59.3 |
| 6/30/2009 | 693,962 | 1,305,025 | 1,459,057 | 2,792,182 | 100.00 | 100.00 | 54.4 |

# PSRS SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREMENT ROLLS

| | Added to Rolls | | Removed from Rolls | | Rolls End of Year | | | % Increase | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | Average Annual Allowances | in Annual Allowance | in Average Annual Allowance |
| **2008-2009** | | | | | | | | | |
| Service retirees | 2,629 | 98,725,164 | 777 | 21,507,072 | 39,897 | 1,515,913,812 | $ 37,996 | 10.30% | 5.18% |
| Disability retirees | 37 | 924,132 | 32 | 621,480 | 696 | 16,632,852 | 23,898 | 5.89 | 5.13 |
| Beneficiaries | 287 | 7,160,304 | 136 | 2,206,056 | 3,153 | 73,504,884 | 23,313 | 10.68 | 5.38 |
| **2007-2008** | | | | | | | | | |
| Service retirees | 2,596 | $ 91,611,816 | 808 | $ 21,214,344 | 38,045 | $ 1,374,367,260 | $ 36,125 | 8.08% | 3.01% |
| Disability retirees | 45 | 1,122,528 | 37 | 855,696 | 691 | 15,707,856 | 22,732 | 3.95 | 2.74 |
| Beneficiaries | 289 | 6,258,996 | 175 | 2,635,176 | 3,002 | 66,412,560 | 22,123 | 8.06 | 3.96 |
| **2006-2007** | | | | | | | | | |
| Service retirees | 2,396 | $ 85,977,276 | 770 | $ 20,772,324 | 36,257 | $ 1,271,565,084 | $ 35,071 | 9.66% | 4.75% |
| Disability retirees | 41 | 886,872 | 29 | 646,560 | 683 | 15,111,252 | 22,125 | 5.17 | 3.32 |
| Beneficiaries | 241 | 5,318,208 | 161 | 1,972,128 | 2,888 | 61,457,496 | 21,280 | 8.95 | 5.93 |
| **2005-2006** | | | | | | | | | |
| Service retirees | 2,441 | $ 85,952,556 | 811 | $ 19,138,824 | 34,631 | $ 1,159,504,692 | $ 33,482 | 8.59% | 3.48% |
| Disability retirees | 41 | 855,684 | 34 | 594,708 | 671 | 14,368,776 | 21,414 | 3.95 | 2.86 |
| Beneficiaries | 279 | 6,109,776 | 127 | 1,679,784 | 2,808 | 56,410,080 | 20,089 | 10.61 | 4.62 |
| **2004-2005** | | | | | | | | | |
| Service retirees | 2,630 | $ 91,773,708 | 681 | $ 16,100,976 | 33,001 | $ 1,067,742,636 | $ 32,355 | 10.86% | 4.31% |
| Disability retirees | 58 | 1,151,928 | 24 | 402,816 | 664 | 13,823,160 | 20,818 | 7.94 | 2.42 |
| Beneficiaries | 226 | 4,153,424 | 118 | 1,426,464 | 2,656 | 51,000,276 | 19,202 | 9.47 | 5.02 |
| **2003-2004** | | | | | | | | | |
| Service retirees | 2,451 | $ 87,108,528 | 822 | $ 17,964,480 | 31,052 | $ 963,188,448 | $ 31,019 | 9.93% | 4.16% |
| Disability retirees | 54 | 1,155,516 | 28 | 442,812 | 630 | 12,806,208 | 20,327 | 8.04 | 3.58 |
| Beneficiaries | 473 | 6,153,792 | 147 | 1,560,084 | 2,548 | 46,586,652 | 18,284 | 10.60 | -3.55 |

# PEERS SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREMENT ROLLS

| | Added to Rolls | | Removed from Rolls | | Rolls End of Year | | | % Increase | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | Average Annual Allowances | in Annual Allowance | in Average Annual Allowance |
| **2008-2009** | | | | | | | | | |
| Service retirees | 1,325 | $ 12,276,828 | 560 | $ 2,464,452 | 17,461 | $ 118,079,604 | $ 6,762 | 11.55% | 6.66% |
| Disability retirees | 44 | 233,556 | 18 | 92,412 | 540 | 2,404,284 | 4,452 | 10.46 | 5.12 |
| Beneficiaries | 112 | 556,872 | 40 | 176,184 | 1,150 | 5,085,876 | 4,423 | 10.89 | 3.95 |
| **2007-2008** | | | | | | | | | |
| Service retirees | 1,256 | $ 11,273,184 | 569 | $ 2,322,624 | 16,696 | $ 105,856,860 | $ 6,340 | 10.49% | 5.93% |
| Disability retirees | 46 | 214,596 | 21 | 91,332 | 514 | 2,176,536 | 4,235 | 8.26 | 3.02 |
| Beneficiaries | 99 | 423,360 | 62 | 211,236 | 1,078 | 4,586,436 | 4,255 | 6.91 | 3.25 |
| **2006-2007** | | | | | | | | | |
| Service retirees | 1,250 | $ 10,608,864 | 563 | $ 2,140,032 | 16,009 | $ 95,809,332 | $ 5,985 | 11.70% | 6.91% |
| Disability retirees | 29 | 134,592 | 18 | 56,736 | 489 | 2,010,516 | 4,111 | 7.35 | 4.93 |
| Beneficiaries | 120 | 537,792 | 39 | 108,804 | 1,041 | 4,290,168 | 4,121 | 14.55 | 5.64 |
| **2005-2006** | | | | | | | | | |
| Service retirees | 1,080 | $ 8,500,248 | 528 | $ 1,834,320 | 15,322 | $ 85,772,400 | $ 5,598 | 9.22% | 5.28% |
| Disability retirees | 53 | 217,428 | 23 | 96,480 | 478 | 1,872,912 | 3,918 | 9.62 | 2.73 |
| Beneficiaries | 86 | 291,804 | 50 | 175,392 | 960 | 3,745,200 | 3,901 | 4.79 | 0.85 |
| **2004-2005** | | | | | | | | | |
| Service retirees | 1,092 | $ 7,628,508 | 481 | $ 1,697,460 | 14,770 | $ 78,531,972 | $ 5,317 | 10.76% | 6.17% |
| Disability retirees | 43 | 203,208 | 26 | 101,004 | 448 | 1,708,548 | 3,814 | 9.49 | 5.36 |
| Beneficiaries | 98 | 443,100 | 29 | 77,064 | 924 | 3,573,960 | 3,868 | 16.21 | 7.53 |
| **2003-2004** | | | | | | | | | |
| Service retirees | 1,075 | $ 8,476,308 | 535 | $ 1,597,860 | 14,159 | $ 70,902,420 | $ 5,008 | 11.03% | 6.80% |
| Disability retirees | 43 | 174,660 | 17 | 91,188 | 431 | 1,560,408 | 3,620 | 7.72 | 1.20 |
| Beneficiaries | 86 | 417,644 | 44 | 107,736 | 855 | 3,075,528 | 3,597 | 11.63 | 6.14 |

# PSRS SUMMARY PLAN DESCRIPTION

The Public School Retirement System of Missouri (PSRS) became operative July 1, 1946. It was established by an Act of the Missouri Legislature and is governed by Chapter 169 of the *Revised Statutes of Missouri*. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

PSRS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

**Administration –** The administration of PSRS is vested in a seven-member Board of Trustees, composed of three elected PSRS members, one elected Public Education Employee Retirement System (PEERS) member, and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or a PEERS retiree, are named by the Governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official. The Board appoints an executive director who is responsible for employment of the retirement office staff, routine operation of the System, and advisement of the Board on all matters pertaining to the System.

**Member Participation –** PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and of PSRS. Certificated, part-time employees whose services would qualify them for membership in the Public Education Employee Retirement System are contributing members of PSRS unless PEERS membership is elected.

Members working in covered employment are considered *active* members. Such members contribute 13.0% (13.5% effective July 1, 2009) of total compensation to PSRS. The contributions are deducted and remitted by the employer and are credited by PSRS to individual member accounts. Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRS 414(h)(2). Contributions are not considered income for such purposes until they are paid as a lump-sum refund or monthly benefits.

Interest at a rate set each year by the Board of Trustees is credited to individual member accounts each June 30 on the previous June 30 balance. The rate credited on June 30, 2009 was 2%. Since PSRS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

Members who have contributions on deposit with PSRS but are not working in covered employment are considered *inactive* members.

**Employer Participation –** The employers served by PSRS withhold members' contributions from salary payments and match those contributions at a rate of 13.0% (13.5% effective July 1, 2009) of payroll. Employer contributions and investment earnings on those funds are placed by PSRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new membership records to PSRS. Employers also provide record data when members apply for benefits or for refunds upon termination of employment.

**Survivor Benefits –** The designated beneficiary of a member who dies before retirement is eligible for a lump-sum refund of the member's contributions and interest. If the beneficiary is an eligible dependent and the member dies while in covered employment with at least two years of credit for such service, or while eligible for disability retirement benefits, monthly survivor benefits based on a percentage of the member's salary for the last full year of covered service can be elected instead of the contribution refund.

In lieu of a lump-sum refund or monthly survivor benefits, survivors with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Such benefits are payable when the member would have been eligible for early or normal service retirement.

# PSRS SUMMARY PLAN DESCRIPTION

**Refund of Contributions –** Member contributions and interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money refunded plus interest.

**Membership Termination –** Membership is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

**Disability Retirement Benefits –** Disability retirement benefits are payable to eligible members who, because of permanent disability, are unable to earn a livelihood in any occupation. In most instances, the disability retirement benefit is calculated at 50% of the member's salary for the last full year of creditable service.

**Service Retirement Benefits –** Service retirement benefits are payable to members who have terminated covered employment and have met certain eligibility requirements.

**Benefit Formula –** All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

**Normal Retirement –** A member may retire with benefits calculated under the standard (2.5%) formula factor at age 60 with five years of credit, at any age with 30 years of credit, or when a combination of age and service credit equals 80. Between 7/1/2001 and 7/1/2013, a member may retire with a 2.55% formula factor with 31 or more years of service.

**Early Retirement –** A member may retire with benefits calculated under the standard (2.5%) formula with an age-reduction factor applied, at age 55 with five years of credit or at any age with 25 years of credit, as long as they do not qualify for Rule of 80.

A special provision in effect until July 1, 2013 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 2.2% to 2.4% but with no age-reduction factor applied.

**Payment Options –** A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

Certain benefit minimums apply to normal or early retirement with 15 or more years of credit. The minimums for 15 but fewer than 25 years of credit are reduced if a Joint-and-Survivor or a Term-Certain option is elected and/or if an age factor is applicable because of early retirement. The minimums for 25 or more years of credit are reduced only if a Joint-and-Survivor or a Term-Certain option is elected.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

**Cost-of-Living Adjustments –** Cost-of-living adjustments (COLAs) are provided beginning the second January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

**Member Handbook –** A Member Handbook containing detailed information concerning the retirement program can be obtained from the retirement office upon request.

# PEERS SUMMARY PLAN DESCRIPTION

The Public Education Employee Retirement System of Missouri (PEERS) was established by an Act of the Missouri Legislature effective November 1, 1965, and is governed by Chapter 169 of the Revised Statutes of Missouri. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

PEERS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

**Administration –** The statutes provide that the responsibility for the operation and administration of the retirement system is vested in the Public School Retirement System (PSRS) Board of Trustees sitting as the Board of Trustees for PEERS. The Board is comprised of three elected PSRS members, one elected Public Education Employee Retirement System (PEERS) member and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or a PEERS retiree, are named by the Governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official.

The Board appoints an executive director who is responsible for employment of the retirement office staff and routine operation of the system, and who acts as advisor to the Board on all matters pertaining to the System.

**Member Participation –** PEERS membership is automatic, regardless of position, for all persons not covered by the Public School Retirement System who are employed for 20 or more hours a week on a regular basis in a position that normally requires at least 600 hours during the school term by the public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and by the Retirement System.

Members working in covered employment are considered *active* members. Such members contribute 6.25% (6.5% effective July 1, 2009) of their total compensation to PEERS. These amounts are deducted by the employing district and then forwarded to PEERS by the payroll officer and applied to the member’s account in PEERS.

PEERS membership can be elected by employees with Missouri teaching certificates who work in any position for 20 or more hours weekly but less than full time; however, PSRS membership is automatic if a PEERS election is not made. The election to join PEERS must be filed with the Board of Trustees within 90 days after entering first time, part-time employment.

Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRC 414(h)(2). Contributions are not considered as income for federal or state income tax purposes until they are paid in a lump-sum refund or in monthly benefits.

Individual accounts are maintained for all PEERS members. Interest is credited each June 30 on the previous June 30 balance. The interest rate, set annually by the Board of Trustees, was 2% on June 30, 2009. Since PEERS is a defined benefit plan, benefits are based upon the member’s final average salary and years of creditable service. The amount of interest credited to a member’s account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

Members who have contributions on deposit with PEERS but are not currently working in covered employment are considered *inactive* members.

**Employer Participation –** The employers served by PEERS withhold members’ contributions from salary payments and match employee contributions at a current rate of 6.25% (6.5% effective July 1, 2009) of payroll. Employer contributions and investment earnings on those funds are placed in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. It is the responsibility of the employers to remit contributions to the Retirement System promptly and to supply PEERS with new membership records and members’ contribution information. Employers also provide needed data when members apply for benefits or refund of contributions upon termination of employment.

**Survivor Benefits –** When a member dies before retirement, the designated beneficiary becomes eligible for a lump-sum refund of the employee’s contributions and interest. In lieu of the lump-sum refund, beneficiaries with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Benefits are payable to the beneficiary under the Option 2 plan when the member would have been eligible for early or normal retirement.

# PEERS SUMMARY PLAN DESCRIPTION

**Refund of Contributions –** Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic membership termination. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive years. Only the money the member has contributed and accrued interest are refundable.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money withdrawn plus interest.

**Membership Termination –** Membership in the System is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

**Disability Retirement Benefits –** Disability retirement benefits are payable to persons who have met service and eligibility requirements and who, because of permanent disability, are unable to earn a livelihood in any occupation. The disability retirement benefit is calculated at 90% of the normal service retirement benefit.

**Service Retirement Benefits –** Service retirement benefits are payable to persons who have terminated employment and who have met age and service requirements.

**Benefit Formula –** All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

Because of the conversion of the System from a formula integrated with Social Security to the present basis, a special “frozen benefit” is in effect for certain members for service prior to July 1, 1973.

**Normal Retirement –** A member may retire with benefits calculated under the standard (1.61%) formula at age 60 with five years of credit, at any age with at least 30 years of service, and at the point where the member’s age plus creditable service equals or exceeds 80 (Rule of 80). A member may retire under the standard (1.61%) formula when the member qualifies for Rule of 80 or 30 and out and will receive an additional .8% multiplier until he/she reaches minimum eligibility age for Social Security benefits (currently age 62).

**Early Retirement –** A member may retire with benefits calculated under the standard (1.61%) formula with an age-reduction factor applied, at age 55 with five but fewer than 25 years of credit.

A special provision in effect until July 1, 2013 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 1.51% to 1.59% but with no age-reduction factor applied.

**Payment Options –** A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree’s death. Another option, the Accelerated Payment Plan (APP), allows members to receive a higher PEERS benefit prior to minimum Social Security eligibility age (currently age 62). When the minimum Social Security eligibility age is attained, the member’s PEERS benefit is reduced and remains at a reduced level for the remainder of their retirement.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

**Cost-of-Living Adjustments –** Cost-of-living adjustments (COLAs) are provided starting the fourth January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

**Member Handbook –** A Member Handbook which furnishes more complete information concerning provisions of the PEERS law and regulations can be obtained from the retirement office.

# STATISTICAL SECTION

# STATISTICAL SUMMARY

**Benefit Recipients**
The largest percentage of the Systems' benefit recipients are service retirees. Service retirement benefits are payable to members who have met age and service requirements. The number of PSRS service retirees increased by 1,852 from 38,045 at June 30, 2008 to 39,897 at June 30, 2009. The number of PEERS service retirees increased by 765 from 16,696 at June 30, 2008 to 17,461 at June 30, 2009.

Disability benefits in PSRS and PEERS are paid to members who are unable to earn a livelihood due to permanent disability and who have met certain eligibility requirements. The number of PSRS disability retirees increased by seven from 691 at June 30, 2008 to 698 at June 30, 2009. The number of PEERS disability retirees increased by 27 from 514 at June 30, 2008 to 541 at June 30, 2009.

In both PSRS and PEERS, beneficiary payments are available to survivors if the retiree elected this option. Three Joint-and-Survivor options and two Term-Certain options are available. In PSRS, survivor benefits are also available to designated beneficiaries of members who die before retirement.

The charts on page 108 detail the number of benefit recipients by type and monthly benefit amount for each System.

**Pension Funding**
An unfunded actuarial accrued liability (UAAL) for pension benefits generally represents the difference between the present value of all benefits estimated to be payable to plan members as a result of their age, salary, and service through the valuation date and the actuarial value of plan assets available to pay those benefits. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions, and changes in the demographics of the employee base. Each year an outside actuary performs a valuation to determine the present value of the benefits payable (actuarial accrued liability) and compares this to the assets available to arrive at the funded status of the Systems.

The charts on page 116 show a comparison of the assets and liabilities of the Systems over time. At June 30, 2009, PSRS was 79.9% funded and PEERS was 80.7%. These percentages have remained relatively constant for the past four fiscal years.

**Changes in Net Assets**
The charts on page 109 detail a 10-year history of the additions (revenue) and deductions (expenses) of the Systems.

Other charts in this section detail demographic information concerning our members and employers.

The data in this section was derived from internal sources and the annual actuarial valuation reports.

# SUMMARY OF BENEFITS BY TYPE

## PSRS

| Amount of Monthly Benefit | Service Retirement | Disability Retirement | Beneficiary Recipients | | | | Total |
|---|---|---|---|---|---|---|---|
| | | | Disability | Survivors | Beneficiary | Term Certain | |
| <$1,000 | 3,111 | 47 | 82 | 627 | 371 | 3 | 4,241 |
| $1,000 - $1,999 | 5,787 | 342 | 50 | - | 725 | 2 | 6,906 |
| $2,000 - $2,999 | 9,850 | 241 | 11 | - | 595 | 3 | 10,700 |
| $3,000 - $3,999 | 10,369 | 59 | 2 | - | 373 | 4 | 10,807 |
| $4,000 - $4,999 | 6,609 | 6 | 1 | - | 176 | 6 | 6,798 |
| $5,000 - $5,999 | 2,666 | 1 | - | - | 89 | 1 | 2,757 |
| $6,000+ | 1,505 | - | - | - | 32 | - | 1,537 |
| **Total** | **39,897** | **696** | **146** | **627** | **2,361** | **19** | **43,746** |

## PEERS

| Amount of Monthly Benefit | Service Retirement | Disability Retirement | Beneficiary Recipients | | | | Total |
|---|---|---|---|---|---|---|---|
| | | | Disability | Survivors | Beneficiary | Term Certain | |
| <$500 | 10,678 | 404 | 116 | - | 765 | 16 | 11,979 |
| $500 - $999 | 4,100 | 126 | 15 | - | 166 | 5 | 4,412 |
| $1,000 - $1,999 | 2,133 | 10 | 2 | - | 56 | 5 | 2,206 |
| $2,000 - $2,999 | 417 | - | - | - | 4 | - | 421 |
| $3,000 - $3,999 | 95 | - | - | - | - | - | 95 |
| $4,000+ | 38 | - | - | - | - | - | 38 |
| **Total** | **17,461** | **540** | **133** | **-** | **991** | **26** | **19,151** |

# SCHEDULES OF CHANGES IN PLAN NET ASSETS, LAST 10 FISCAL YEARS

*(Dollar amounts in thousands)*

## PSRS

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **Additions by source** | | | | | | | | | | |
| Member contributions | $ 319,579 | $ 335,275 | $ 356,685 | $ 378,434 | $ 405,614 | $ 432,500 | $ 502,980 | $ 514,163 | $ 572,810 | $ 599,582 |
| Employer contributions | 304,944 | 324,526 | 340,000 | 355,979 | 359,763 | 389,416 | 429,579 | 472,217 | 521,242 | 563,454 |
| Investment income | 1,455,003 | (407,172) | (582,958) | 873,340 | 2,402,566 | 1,958,622 | 2,235,836 | 4,125,164 | (1,385,701) | (5,301,374) |
| Other income | 274 | 810 | 2761 | 351 | 488 | 476 | 264 | 280 | 370 | 628 |
| **Total additions by source** | 2,079,800 | 253,439 | 116,488 | 1,608,104 | 3,168,431 | 2,781,014 | 3,168,659 | 5,111,824 | (291,279) | (4,137,710) |
| **Deductions by type** | | | | | | | | | | |
| Monthly benefits | | | | | | | | | | |
| Service retirement | 601,718 | 706,647 | 810,898 | 877,538 | 958,181 | 1,057,430 | 1,152,217 | 1,254,164 | 1,363,571 | 1,490,693 |
| Service retirement - PLSO | - | - | - | - | 9,176 | 32,479 | 40,177 | 52,122 | 59,793 | 74,042 |
| Disability | 9,762 | 10,719 | 11,621 | 11,901 | 12,720 | 13,613 | 14,297 | 14,982 | 15,599 | 16,355 |
| Beneficiary | 27,501 | 32,525 | 37,916 | 41,011 | 44,663 | 49,056 | 54,148 | 59,295 | 64,011 | 70,518 |
| Lump-sum refunds | | | | | | | | | | |
| Death | 5,603 | 6,170 | 6,872 | 6,781 | 7,173 | 6,131 | 7,188 | 6,801 | 7,058 | 7,274 |
| Withdrawal/transfers | 30,495 | 28,877 | 24,907 | 21,693 | 28,845 | 28,215 | 29,206 | 37,209 | 39,243 | 39,134 |
| Administrative expenses/other | 3,712 | 4,009 | 4,486 | 4,675 | 5,274 | 5,614 | 6,754 | 7,113 | 8,074 | 10,135 |
| **Total deductions by type** | 678,791 | 788,947 | 896,700 | 963,599 | 1,066,032 | 1,192,538 | 1,303,987 | 1,431,686 | 1,557,349 | 1,708,151 |
| **Changes in plan net assets** | $ 1,401,009 | ($ 535,508) | ($ 780,212) | $ 644,505 | $ 2,102,399 | $ 1,588,476 | $ 1,864,672 | $ 3,680,138 | ($ 1,848,628) | ($ 5,845,861) |

## PEERS

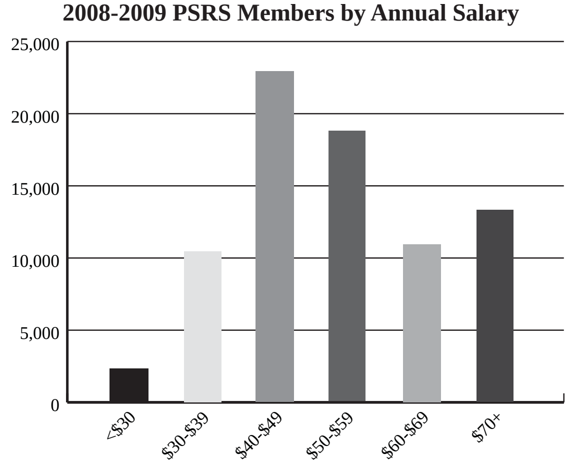
| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **Additions by source** | | | | | | | | | | |
| Member contributions | $ 34,499 | $ 37,934 | $ 46,217 | $ 48,994 | $ 50,625 | $ 55,699 | $ 68,018 | $ 73,071 | $ 81,370 | $ 89,427 |
| Employer contributions | 34,186 | 37,500 | 45,773 | 48,933 | 49,977 | 53,110 | 61,746 | 69,235 | 77,989 | 85,916 |
| Investment income | 113,954 | (29,647) | (46,732) | 73,188 | 198,389 | 170,921 | 197,629 | 373,198 | (130,619) | (489,552) |
| Other income | 14 | 73 | 26 | 16 | 10 | 9 | 3 | - | - | - |
| **Total additions by source** | 182,653 | 45,860 | 45,284 | 171,131 | 299,001 | 279,739 | 327,396 | 515,504 | 28,741 | (314,209) |
| **Deductions by type** | | | | | | | | | | |
| Monthly benefits | | | | | | | | | | |
| Service retirement | 39,071 | 46,093 | 56,305 | 63,333 | 69,899 | 77,333 | 84,664 | 93,716 | 104,352 | 115,757 |
| Service Retirement - PLSO | - | - | - | - | 520 | 1,527 | 2,487 | 3,454 | 3,133 | 3,676 |
| Disability | 945 | 1,122 | 1,304 | 1,448 | 1,503 | 1,686 | 1,840 | 1,968 | 2,125 | 2,353 |
| Beneficiary | 1,514 | 1,823 | 2,262 | 2,618 | 2,949 | 3,360 | 3,670 | 4,044 | 4,454 | 4,881 |
| Lump-sum Refunds | | | | | | | | | | |
| Death | 409 | 432 | 425 | 475 | 593 | 647 | 542 | 816 | 675 | 765 |
| Withdrawal/transfers | 9,493 | 8,769 | 7,441 | 7,559 | 9,827 | 11,245 | 11,502 | 12,883 | 14,833 | 14,908 |
| Administrative expenses/other | 1,920 | 2,246 | 2,575 | 2,946 | 3,210 | 3,564 | 4,358 | 4,427 | 4,682 | 5,440 |
| **Total deductions by type** | 53,352 | 60,485 | 70,312 | 78,379 | 88,501 | 99,362 | 109,063 | 121,308 | 134,254 | 147,780 |
| **Changes in plan net assets** | $ 129,301 | ($ 14,625) | ($ 25,028) | $ 92,752 | $ 210,500 | $ 180,377 | $ 218,333 | $ 394,196 | ($ 105,514) | ($ 461,989) |

# PSRS SUMMARY OF CHANGES IN MEMBERSHIP DURING 2008-2009

| | | Male | Female | Total |
|---|---|---|---|---|
| Membership, July 1, 2008 | | 19,797 | 70,219 | 90,016 |
| New members added | | 1,423 | 4,626 | 6,049 |
| Less: | Service retirements | 603 | 2,018 | 2,621 |
| | Disability retirements | 5 | 32 | 37 |
| | Withdrawals | 548 | 1,535 | 2,083 |
| | Deaths | 20 | 36 | 56 |
| | Memberships terminated | 74 | 277 | 351 |
| | Other | 5 | 7 | 12 |
| | | 1,255 | 3,905 | 5,160 |
| Net change in membership 2008-2009 | | 168 | 721 | 889 |
| Membership July 1, 2009 | | 19,965 | 70,940 | 90,905 |

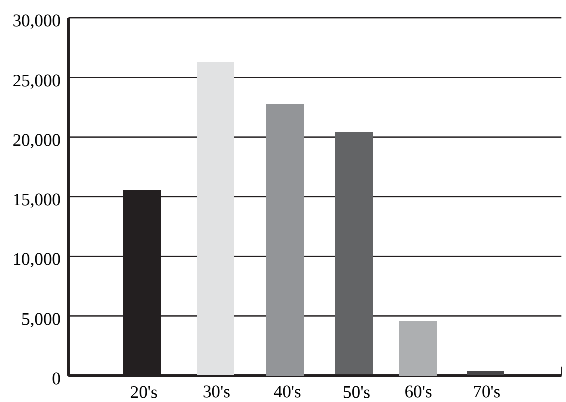
*Note: Eight members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 112.*

**2008-2009 PSRS Members by Annual Salary**

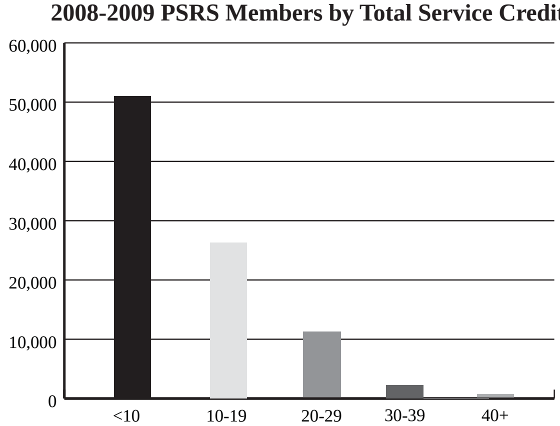



*(Dollar amounts in thousands)*

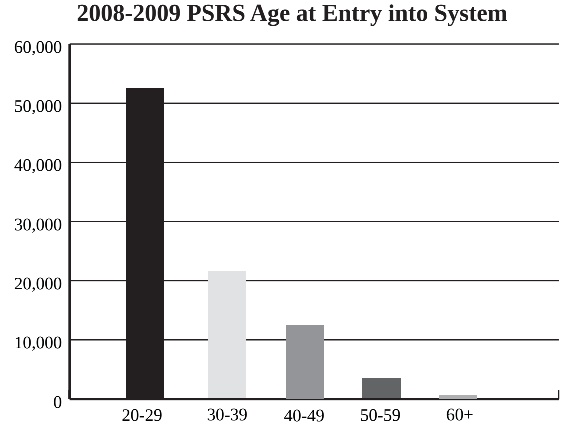
**2008-2009 PSRS Members by Current Age**




**2008-2009 PSRS Members by Total Service Credit**




**2008-2009 PSRS Age at Entry into System**

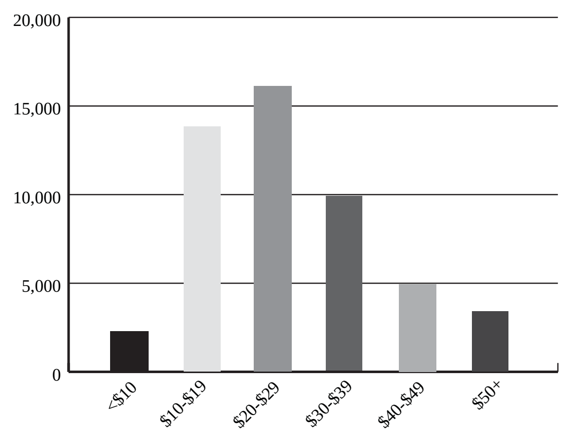


# PEERS SUMMARY OF CHANGES IN MEMBERSHIP DURING 2008-2009

| | | Male | Female | Total |
|---|---|---|---|---|
| Membership, July 1, 2008 | | 16,406 | 51,082 | 67,488 |
| New members added | | 2,038 | 5,145 | 7,183 |
| Less: | Service retirements | 372 | 948 | 1,320 |
| | Disability retirements | 11 | 33 | 44 |
| | Withdrawals | 1,249 | 3,310 | 4,559 |
| | Deaths | 62 | 55 | 117 |
| | Memberships terminated | 336 | 754 | 1,090 |
| | Other | 6 | 19 | 25 |
| | | 2,036 | 5,119 | 7,155 |
| Net change in membership 2008-2009 | | 2 | 26 | 28 |
| Membership July 1, 2009 | | 16,408 | 51,108 | 67,516 |

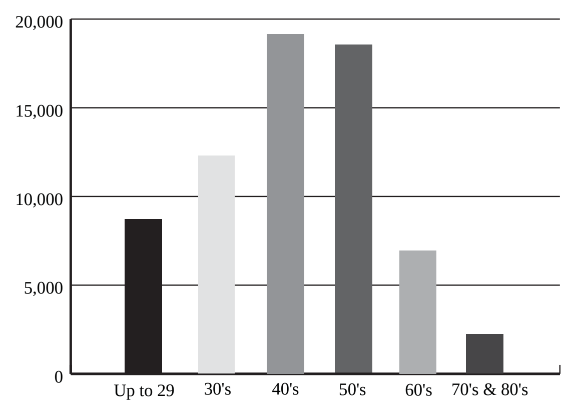
*Note: Five members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 113.*

**2008-2009 PEERS Members by Annual Salary**

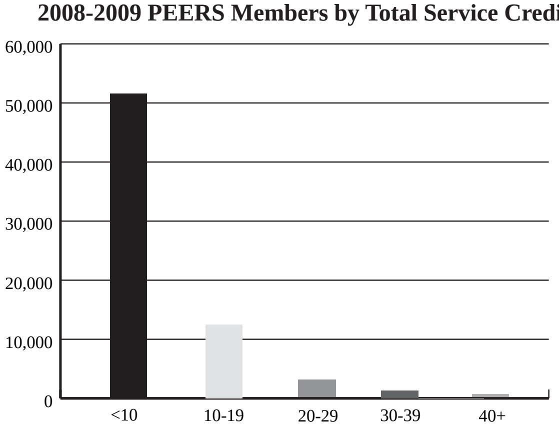



*(Dollar amounts in thousands)*

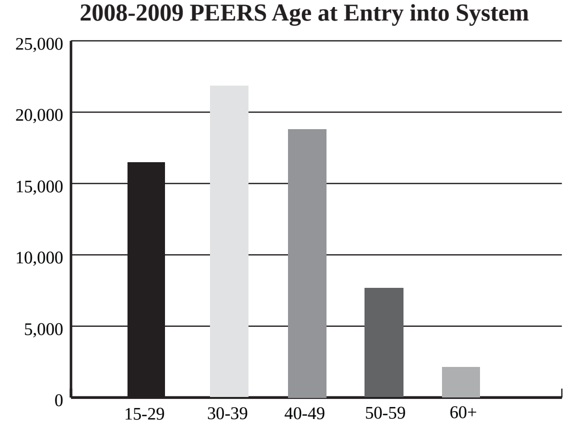
**2008-2009 PEERS Members by Current Age**




**2008-2009 PEERS Members by Total Service Credit**



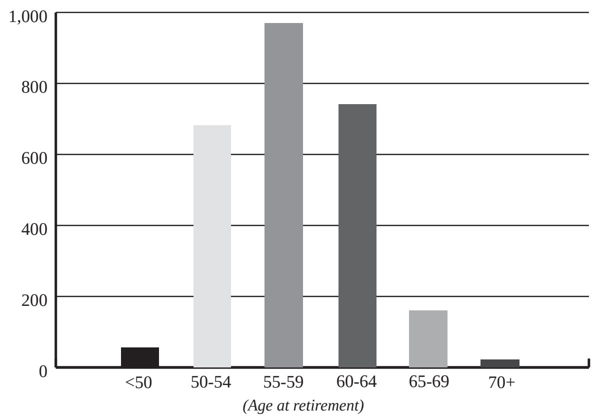

**2008-2009 PEERS Age at Entry into System**



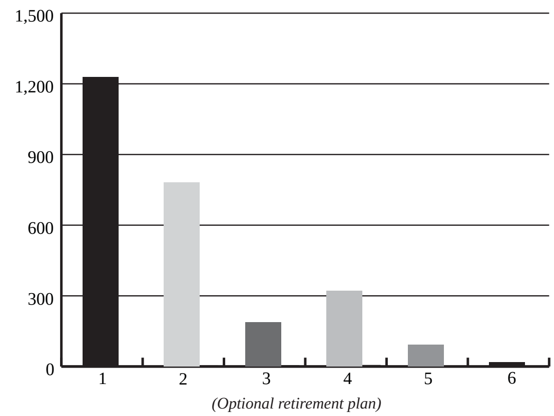
# PSRS 2008-2009 NEW SERVICE RETIREES

| | Service Retirees | Disability Retirees | Beneficiaries |
|---|---|---|---|
| Retirees July 1, 2008 | 38,045 | 691 | 3,002 |
| Added during the year | 2,629 | 37 | 287 |
| Died during the year | (780) | (31) | (108) |
| Other | 3 | (1) | (28) |
| Retirees June 30, 2009 | 39,897 | 696 | 3,153 |

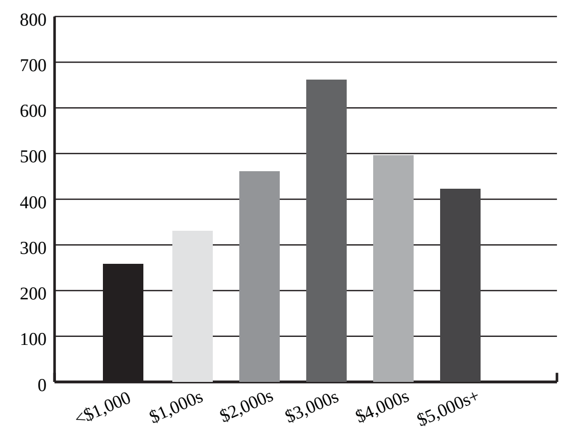
**2008-2009 New Service Retirees by Age at Retirement**



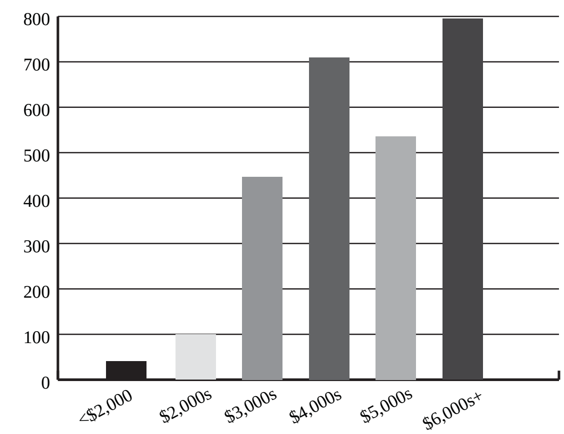

**2008-2009 New Service Retirees by Retirement Plan Option**




**2008-2009 New Service Retirees by Single Life Benefit Amount**



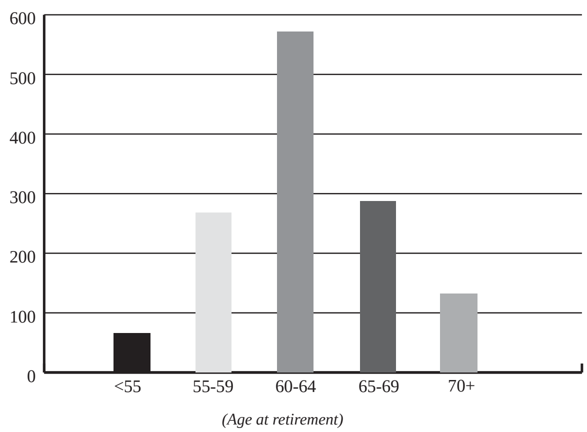

**2008-2009 New Service Retirees by Final Average Monthly Salary**



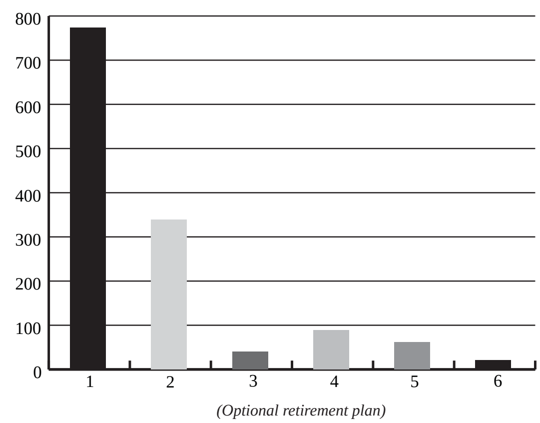
# PEERS 2008-2009 NEW SERVICE RETIREES

| | Service Retirees | Disability Retirees | Beneficiaries |
|---|---|---|---|
| Retirees July 1, 2008 | 16,696 | 514 | 1,078 |
| Added during the year | 1,325 | 44 | 112 |
| Died during the year | (551) | (17) | (38) |
| Other | (9) | (1) | (2) |
| Retirees June 30, 2009 | 17,461 | 540 | 1,150 |

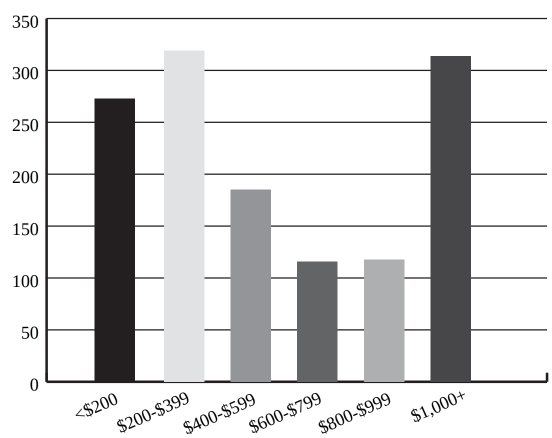
**2008-2009 New Service Retirees by Age at Retirement**



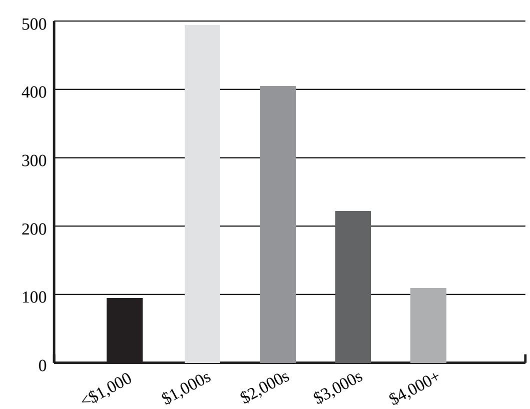

**2008-2009 New Service Retirees by Retirement Plan Option**




**2008-2009 New Service Retirees by Single Life Benefit Amount**




**2008-2009 New Service Retirees by Final Average Monthly Salary**



# PSRS SCHEDULE OF AVERAGE BENEFIT PAYMENTS TO NEW RETIREES

| | Years of Service Credit | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Retirement Effective Dates** | **5 - 9.9** | **10 - 14.9** | **15 - 19.9** | **20 - 24.9** | **25 - 29.9** | **30 - 34.9** | **35 - 39.9** | **40+** |
| **2008-2009** | | | | | | | | |
| Average monthly benefit | $ 627 | $ 1,178 | $ 2,035 | $ 2,861 | $ 3,590 | $ 4,598 | $ 6,028 | $ 5,749 |
| Average final average salary | $ 3,901 | $ 4,057 | $ 4,801 | $ 5,136 | $ 5,343 | $ 5,697 | $ 6,436 | $ 5,749 |
| Number of retirees | 198 | 186 | 198 | 411 | 617 | 892 | 116 | 11 |
| **2007-2008** | | | | | | | | |
| Average monthly benefit | $ 612 | $ 1,079 | $ 1,876 | $ 2,765 | $ 3,453 | $ 4,410 | $ 6,124 | $ 6,515 |
| Average final average salary | $ 3,741 | $ 3,792 | $ 4,548 | $ 4,935 | $ 5,159 | $ 5,494 | $ 6,607 | $ 6,515 |
| Number of retirees | 226 | 197 | 200 | 406 | 646 | 798 | 105 | 12 |
| **2006-2007** | | | | | | | | |
| Average monthly benefit | $ 614 | $ 1,010 | $ 1,772 | $ 2,748 | $ 3,283 | $ 4,322 | $ 6,145 | $ 5,826 |
| Average final average salary | $ 3,848 | $ 3,499 | $ 4,319 | $ 4,889 | $ 4,934 | $ 5,380 | $ 6,576 | $ 5,826 |
| Number of retirees | 162 | 160 | 159 | 338 | 653 | 783 | 115 | 6 |
| **2005-2006** | | | | | | | | |
| Average monthly benefit | $ 572 | $ 1,021 | $ 1,709 | $ 2,558 | $ 3,263 | $ 4,299 | $ 5,555 | $ 5,833 |
| Average final average salary | $ 3,659 | $ 3,628 | $ 4,214 | $ 4,580 | $ 4,854 | $ 5,346 | $ 5,985 | $ 5,833 |
| Number of retirees | 177 | 137 | 137 | 358 | 778 | 744 | 96 | 6 |
| **2004-2005** | | | | | | | | |
| Average monthly benefit | $ 579 | $ 1,314 | (1) | $ 2,977 | (2) | $ 4,240 | (3) | $ 5,751 |
| Average final average salary | $ 3,630 | $ 3,783 | (1) | $ 4,652 | (2) | $ 5,216 | (3) | $ 5,751 |
| Number of retirees | 158 | 323 | (1) | 1,165 | (2) | 973 | (3) | 11 |
| **2003-2004** | | | | | | | | |
| Average monthly benefit | $ 510 | $ 1,363 | (1) | $ 2,944 | (2) | $ 4,205 | (3) | $ 4,042 |
| Average final average salary | $ 3,243 | $ 3,849 | (1) | $ 4,582 | (2) | $ 5,155 | (3) | $ 4,042 |
| Number of retirees | 158 | 269 | (1) | 1,097 | (2) | 927 | (3) | 12 |
| **2002-2003** | | | | | | | | |
| Average monthly benefit | $ 493 | $ 1,295 | (1) | $ 2,832 | (2) | $ 4,005 | (3) | $ 4,241 |
| Average final average salary | $ 3,210 | $ 3,591 | (1) | $ 4,418 | (2) | $ 4,936 | (3) | $ 4,241 |
| Number of retirees | 111 | 247 | (1) | 930 | (2) | 752 | (3) | 17 |
| **2001-2002** | | | | | | | | |
| Average monthly benefit | $ 486 | $ 1,253 | (1) | $ 2,738 | (2) | $ 3,872 | (3) | $ 4,823 |
| Average final average salary | $ 3,276 | $ 3,637 | (1) | $ 4,248 | (2) | $ 4,824 | (3) | $ 4,823 |
| Number of retirees | 93 | 232 | (1) | 1,034 | (2) | 875 | (3) | 18 |
| **2000-2001** | | | | | | | | |
| Average monthly benefit | $ 478 | $ 1,165 | (1) | $ 2,621 | (2) | $ 3,593 | (3) | $ 5,431 |
| Average final average salary | $ 3,020 | $ 3,245 | (1) | $ 4,072 | (2) | $ 4,552 | (3) | $ 5,431 |
| Number of retirees | 75 | 276 | (1) | 1,232 | (2) | 1,027 | (3) | 18 |
| **1999-2000** | | | | | | | | |
| Average monthly benefit | $ 506 | $ 1,128 | (1) | $ 2,472 | (2) | $ 3,514 | (3) | $ 5,208 |
| Average final average salary | $ 2,949 | $ 3,310 | (1) | $ 3,900 | (2) | $ 4,447 | (3) | $ 5,209 |
| Number of retirees | 95 | 218 | (1) | 913 | (2) | 912 | (3) | 14 |

Prior year data is not available in five-year service increments. Chart will be updated as data becomes available.

(1) Column to the left covers those with 10 to 19.9 years of service.

(2) Column to the left covers those with 20 to 29.9 years of service.

(3) Column to the left covers those with 30 to 39.9 years of service.

# PEERS SCHEDULE OF AVERAGE BENEFIT PAYMENTS TO NEW RETIREES

| | Years of Service Credit | | | | | |
|---|---|---|---|---|---|---|
| **Retirement Effective Dates** | **5 - 9.9** | **10 - 14.9** | **15 - 19.9** | **20 - 24.9** | **25 - 29.9** | **30+** |
| **2008-2009** | | | | | | |
| Average monthly benefit | $ 206 | $ 374 | $ 637 | $ 1,021 | $ 1,365 | $ 1,727 |
| Average final average salary | $ 1,821 | $ 2,011 | $ 2,349 | $ 2,847 | $ 3,104 | $ 3,240 |
| Number of retirees | 417 | 264 | 152 | 216 | 164 | 112 |
| **2007-2008** | | | | | | |
| Average monthly benefit | $ 187 | $ 382 | $ 655 | $ 966 | $ 1,274 | $ 1,605 |
| Average final average salary | $ 1,741 | $ 2,070 | $ 2,451 | $ 2,724 | $ 2,930 | $ 2,969 |
| Number of retirees | 363 | 262 | 142 | 229 | 155 | 94 |
| **2006-2007** | | | | | | |
| Average monthly benefit | $ 174 | $ 363 | $ 637 | $ 861 | $ 1,240 | $ 1,611 |
| Average final average salary | $ 1,607 | $ 1,918 | $ 2,368 | $ 2,423 | $ 2,838 | $ 3,038 |
| Number of retirees | 370 | 214 | 166 | 224 | 158 | 88 |
| 2005-2006 | | | | | | |
| Average monthly benefit | $ 178 | $ 370 | $ 586 | $ 822 | $ 1,111 | $ 1,451 |
| Average final average salary | $ 1,611 | $ 1,971 | $ 2,134 | $ 2,306 | $ 2,564 | $ 2,708 |
| Number of retirees | 310 | 184 | 165 | 177 | 156 | 77 |
| **2004-2005** | | | | | | |
| Average monthly benefit | $ 159 | $ 401 | (1) | $ 952 | (2) | $ 1,468 |
| Average final average salary | $ 1,454 | $ 1,788 | (1) | $ 2,427 | (2) | $ 2,771 |
| Number of retirees | 306 | 366 | (1) | 322 | (2) | 97 |
| **2003-2004** | | | | | | |
| Average monthly benefit | $ 167 | $ 402 | (1) | $ 906 | (2) | $ 1,250 |
| Average final average salary | $ 1,519 | $ 1,737 | (1) | $ 2,305 | (2) | $ 2,397 |
| Number of retirees | 222 | 338 | (1) | 306 | (2) | 71 |
| **2002-2003** | | | | | | |
| Average monthly benefit | $ 167 | $ 373 | (1) | $ 836 | (2) | $ 1,335 |
| Average final average salary | $ 1,519 | $ 1,644 | (1) | $ 2,115 | (2) | $ 2,530 |
| Number of retirees | 222 | 324 | (1) | 335 | (2) | 58 |
| **2001-2002** | | | | | | |
| Average monthly benefit | $ 147 | $ 345 | (1) | $ 827 | (2) | $ 1,150 |
| Average final average salary | $ 1,382 | $ 1,645 | (1) | $ 2,102 | (2) | $ 2,300 |
| Number of retirees | 230 | 371 | (1) | 354 | (2) | 84 |
| **2000-2001** | | | | | | |
| Average monthly benefit | $ 141 | $ 310 | (1) | $ 685 | (2) | $ 876 |
| Average final average salary | $ 1,363 | $ 1,524 | (1) | $ 1,894 | (2) | $ 1,853 |
| Number of retirees | 217 | 374 | (1) | 306 | (2) | 67 |
| **1999-2000** | | | | | | |
| Average monthly benefit | $ 120 | $ 1,128 | (1) | $ 594 | (2) | $ 3,514 |
| Average final average salary | $ 1,188 | $ 3,310 | (1) | $ 1,735 | (2) | $ 4,447 |
| Number of retirees | 213 | 218 | (1) | 307 | (2) | 912 |

Prior year data is not available in five-year service increments. Chart will be updated as data becomes available.

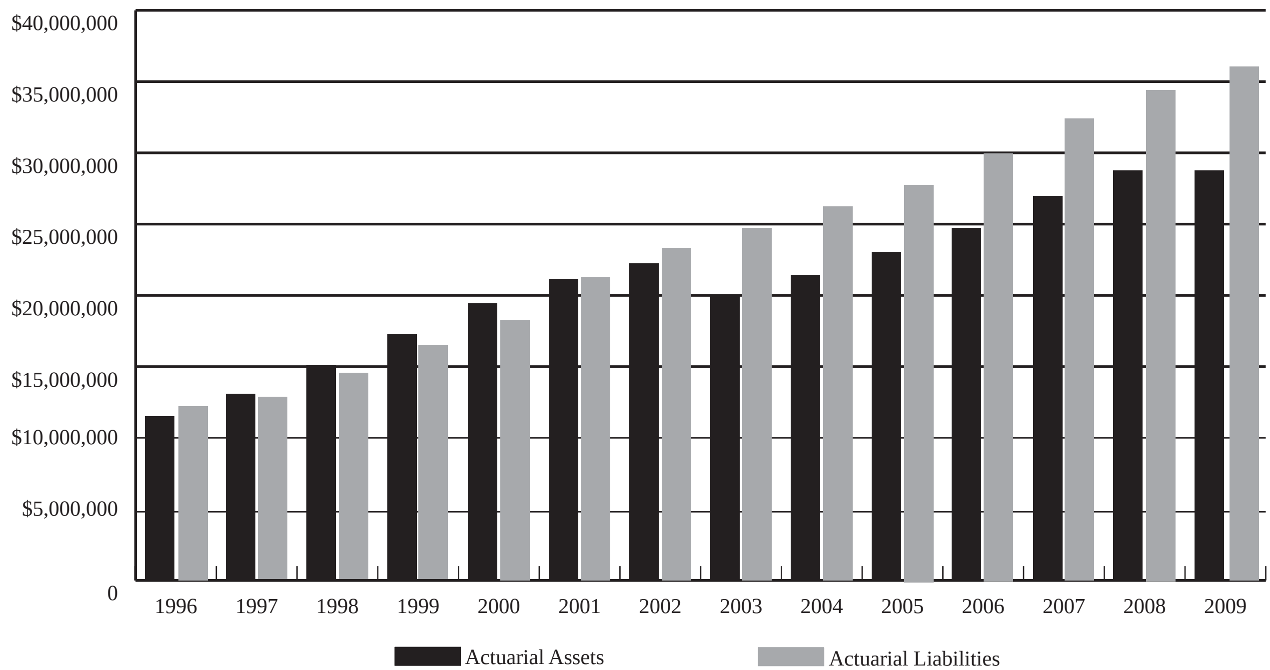
(1) Column to the left covers those with 10 to 19.9 years of service.

(2) Column to the left covers those with 20 to 29.9 years of service.

# COMPARISONS OF ACTUARIAL ASSETS AND TOTAL ACTUARIAL LIABILITIES

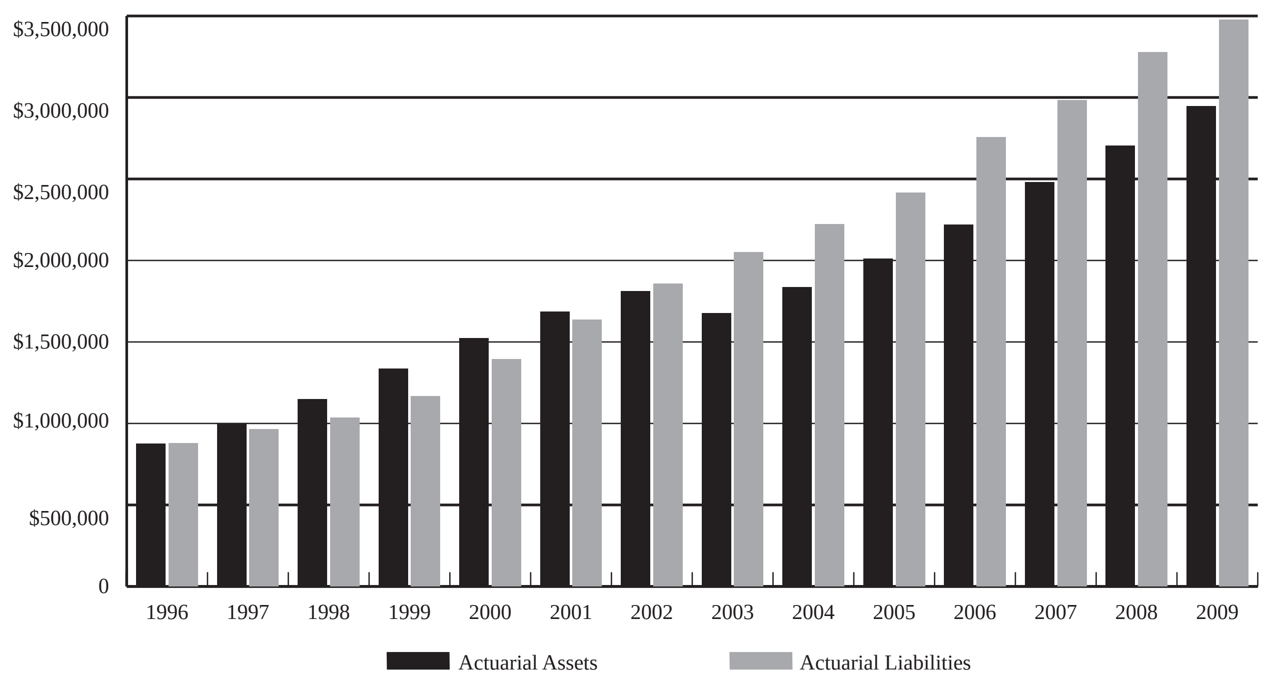
## PSRS

*(Dollar amounts in thousands)*



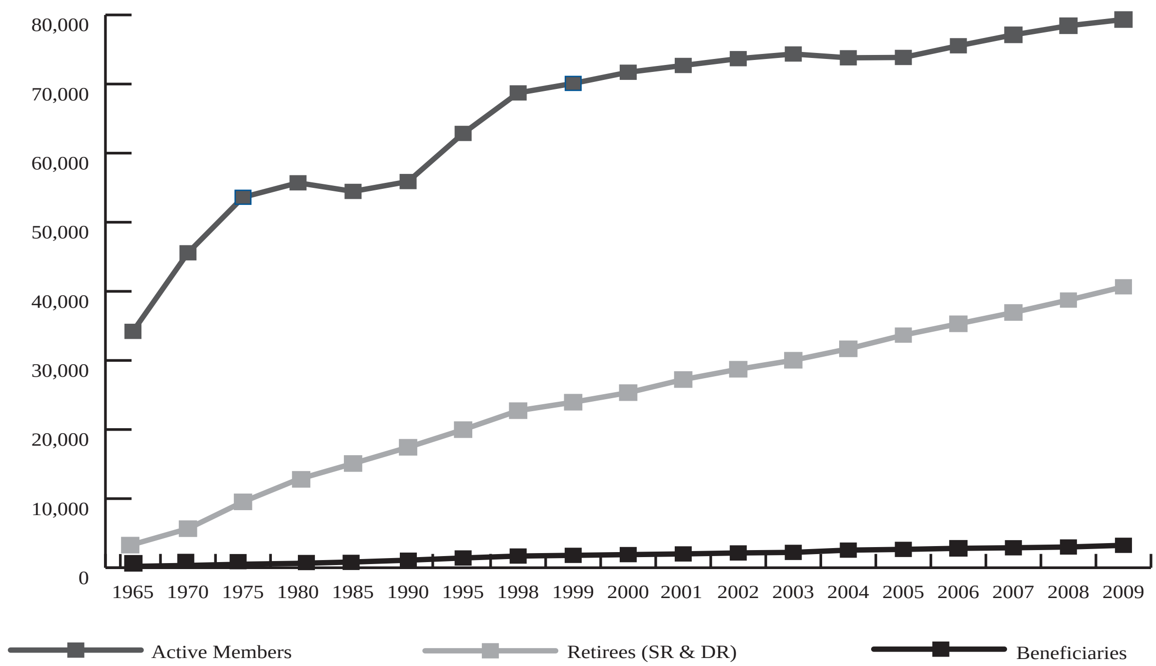

## PEERS

*(Dollar amounts in thousands)*

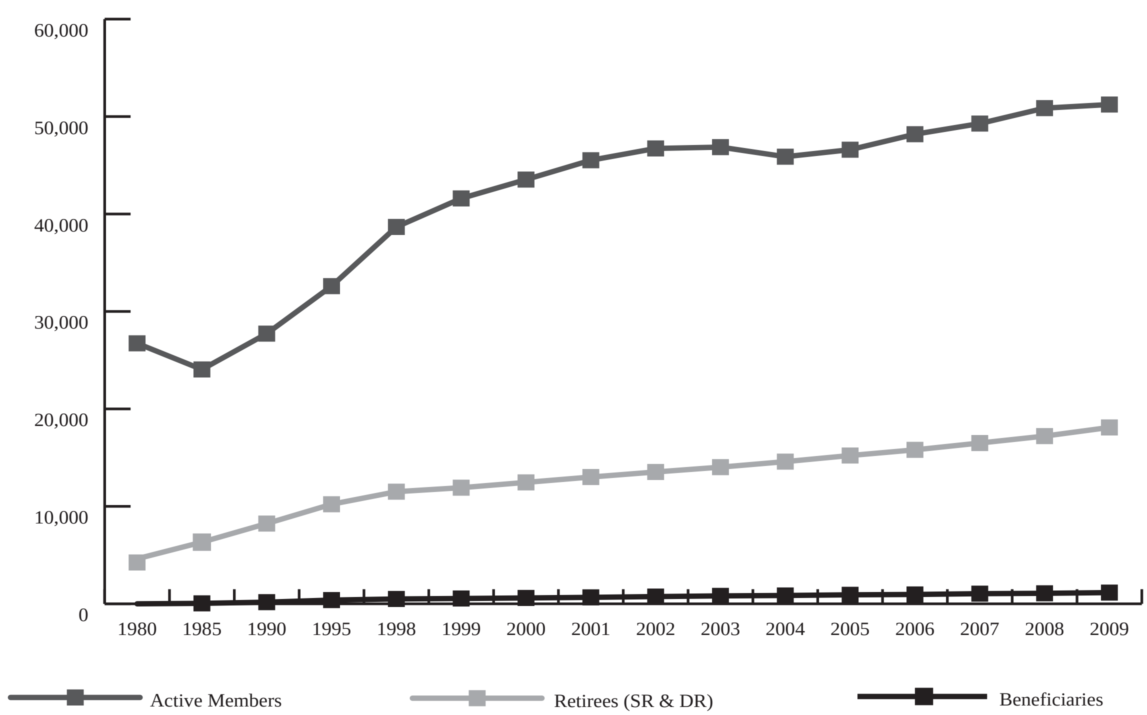


# GROWTH IN MEMBERSHIP

## PSRS




## PEERS



# PSRS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2009

| | 2009 | | 2008 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,931 | 4% | 2,913 | 4% |
| Springfield R-XII Schools | 2,089 | 3% | 2,037 | 3% |
| Rockwood R-VI Schools | 1,893 | 2% | 1,773 | 2% |
| Columbia Public Schools | 1,594 | 2% | 1,626 | 2% |
| Parkway C-2 Schools | 1,656 | 2% | 1,589 | 2% |
| North Kansas City Schools | 1,497 | 2% | 1,517 | 2% |
| Hazelwood R-I Schools | 1,578 | 2% | 1,639 | 2% |
| Francis Howell R-III Schools | 1,462 | 2% | 1,468 | 2% |
| Ft. Zumwalt R-II Schools | 1,441 | 2% | 1,395 | 2% |
| Lee's Summit R-VII Schools | 1,358 | 2% | 1,337 | 2% |
| All Others | 63,490 | 77% | 62,964 | 77% |
| Total - 541 Employers | 80,989 | 100% | 80,258 | 100% |

| | 2007 | | 2006 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,861 | 4% | 2,809 | 4% |
| Springfield R-XII Schools | 2,031 | 3% | 1,983 | 3% |
| Rockwood R-VI Schools | 1,751 | 2% | 1,724 | 2% |
| Columbia Public Schools | 1,560 | 2% | 1,533 | 2% |
| Parkway C-2 Schools | 1,520 | 2% | 1,522 | 2% |
| North Kansas City Schools | 1,483 | 2% | 1,450 | 2% |
| Hazelwood R-I Schools | 1,481 | 2% | 1,461 | 2% |
| Francis Howell R-III Schools | 1,459 | 2% | 1,444 | 2% |
| Ft. Zumwalt R-II Schools | 1,351 | 2% | 1,340 | 2% |
| Lee's Summit R-VII Schools | 1,285 | 2% | 1,262 | 2% |
| All Others | 61,939 | 77% | 60,766 | 77% |
| Total - 543 Employers during 2008 and 545 Employers during 2007 | 78,721 | 100% | 77,294 | 100% |

| | 2005 | | 2004 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,771 | 4% | 2,799 | 4% |
| Springfield R-XII Schools | 1,914 | 3% | 1,902 | 2% |
| Rockwood R-VI Schools | 1,690 | 2% | 1,768 | 2% |
| Columbia Public Schools | 1,490 | 2% | 1,500 | 2% |
| Parkway C-2 Schools | 1,575 | 2% | 1,700 | 2% |
| North Kansas City Schools | 1,430 | 2% | 1,494 | 2% |
| Hazelwood R-I Schools | 1,486 | 2% | 1,451 | 2% |
| Francis Howell R-III Schools | 1,397 | 2% | 1,464 | 2% |
| Ft. Zumwalt R-II Schools | 1,270 | 2% | 1,259 | 2% |
| Lee's Summit R-VII Schools | 1,179 | 2% | 1,178 | 2% |
| All Others | 59,427 | 77% | 60,407 | 78% |
| Total - 545 Employers | 75,629 | 100% | 76,922 | 100% |

# PSRS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2009

| | 2003 | | 2002 | |
|---|---|---|---|---|
| **District** | **Covered Employees** | **Percentage of Total** | **Covered Employees** | **Percentage of Total** |
| Special School District - St. Louis | 2,647 | 3% | 2,468 | 3% |
| Springfield R-XII Schools | 1,957 | 3% | 1,980 | 3% |
| Rockwood R-VI Schools | 1,679 | 2% | 1,564 | 2% |
| Columbia Public Schools | 1,510 | 2% | 1,479 | 2% |
| Parkway C-2 Schools | 1,706 | 2% | 1,832 | 2% |
| North Kansas City Schools | 1,489 | 2% | 1,436 | 2% |
| Hazelwood R-I Schools | 1,536 | 2% | 1,474 | 2% |
| Francis Howell R-III Schools | 1,461 | 2% | 1,419 | 2% |
| Ft. Zumwalt R-II Schools | 1,264 | 2% | 1,194 | 2% |
| Lee's Summit R-VII Schools | 1,186 | 2% | 1,084 | 1% |
| All Others | 60,817 | 78% | 59,663 | 79% |
| Total - 545 Employers | 77,252 | 100% | 75,593 | 100% |

| | 2001 | | 2000 | |
|---|---|---|---|---|
| **District** | **Covered Employees** | **Percentage of Total** | **Covered Employees** | **Percentage of Total** |
| Special School District - St. Louis | 2,454 | 3% | 2,435 | 3% |
| Springfield R-XII Schools | 1,880 | 3% | 1,877 | 3% |
| Rockwood R-VI Schools | 1,492 | 2% | 1,447 | 2% |
| Columbia Public Schools | 1,444 | 2% | 1,382 | 2% |
| Parkway C-2 Schools | 1,738 | 2% | 1,729 | 2% |
| North Kansas City Schools | 1,436 | 2% | 1,394 | 2% |
| Hazelwood R-I Schools | 1,474 | 2% | 1,425 | 2% |
| Francis Howell R-III Schools | 1,375 | 2% | 1,444 | 2% |
| Ft. Zumwalt R-II Schools | 1,187 | 2% | 1,150 | 2% |
| Lee's Summit R-VII Schools | 1,025 | 1% | 972 | 1% |
| All Others | 58,728 | 79% | 57,599 | 79% |
| Total - 545 Employers | 74,233 | 100% | 72,854 | 100% |

# PEERS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2009

| | 2009 | | 2008 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,685 | 5% | 2,619 | 5% |
| Springfield R-XII Schools | 1,463 | 3% | 1,464 | 3% |
| Rockwood R-VI Schools | 1,248 | 3% | 1,241 | 3% |
| Lee's Summit R-VII Schools | 1,203 | 2% | 1,203 | 2% |
| North Kansas City Schools | 1,266 | 2% | 1,213 | 2% |
| Parkway C-2 Schools | 1,102 | 2% | 1,106 | 2% |
| Ft. Zumwalt R-II Schools | 1,129 | 2% | 1,131 | 2% |
| Columbia Public Schools | 950 | 2% | 1,026 | 2% |
| Independence Public Schools | 1,167 | 2% | 1,058 | 2% |
| Hazelwood R-I Schools | 995 | 2% | 1,017 | 2% |
| All Others | 39,754 | 75% | 39,715 | 75% |
| Total - 535 Employers | 52,962 | 100% | 52,793 | 100% |

| | 2007 | | 2006 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,514 | 5% | 2,483 | 5% |
| Springfield R-XII Schools | 1,418 | 3% | 1,374 | 3% |
| Rockwood R-VI Schools | 1,200 | 2% | 1,177 | 2% |
| Lee's Summit R-VII Schools | 1,167 | 2% | 1,138 | 2% |
| North Kansas City Schools | 1,158 | 2% | 1,144 | 2% |
| Parkway C-2 Schools | 1,101 | 2% | 1,120 | 2% |
| Ft. Zumwalt R-II Schools | 1,051 | 2% | 1,023 | 2% |
| Columbia Public Schools | 1,008 | 2% | 992 | 2% |
| Independence Public Schools | 978 | 2% | 920 | 2% |
| Hazelwood R-I Schools | 931 | 2% | 914 | 2% |
| All Others | 38,903 | 76% | 37,874 | 76% |
| Total - 536 Employers | 51,429 | 100% | 50,159 | 100% |

| | 2005 | | 2004 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,467 | 5% | 2,129 | 4% |
| Springfield R-XII Schools | 1,328 | 3% | 1,333 | 3% |
| Rockwood R-VI Schools | 1,213 | 2% | 1,230 | 3% |
| Lee's Summit R-VII Schools | 1,072 | 2% | 984 | 2% |
| North Kansas City Schools | 1,117 | 2% | 1,132 | 2% |
| Parkway C-2 Schools | 1,070 | 2% | 1,145 | 2% |
| Ft. Zumwalt R-II Schools | 968 | 2% | 952 | 2% |
| Columbia Public Schools | 957 | 2% | 942 | 2% |
| Independence Public Schools | 910 | 2% | 939 | 2% |
| Hazelwood R-I Schools | 912 | 2% | 907 | 2% |
| All Others | 36,634 | 76% | 36,473 | 76% |
| Total - 536 Employers | 48,648 | 100% | 48,166 | 100% |

# PEERS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2009

| | 2003 | | 2002 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 2,044 | 4% | 1,833 | 4% |
| Springfield R-XII Schools | 1,326 | 3% | 1,407 | 3% |
| Rockwood R-VI Schools | 1,244 | 3% | 1,148 | 2% |
| Lee's Summit R-VII Schools | 983 | 2% | 933 | 2% |
| North Kansas City Schools | 1,163 | 2% | 1,081 | 2% |
| Parkway C-2 Schools | 1,199 | 2% | 1,278 | 3% |
| Ft. Zumwalt R-II Schools | 955 | 2% | 668 | 1% |
| Columbia Public Schools | 954 | 2% | 983 | 2% |
| Independence Public Schools | 899 | 2% | 1,062 | 2% |
| Hazelwood R-I Schools | 963 | 2% | 970 | 2% |
| All Others | 37,371 | 76% | 36,399 | 77% |
| Total - 536 Employers | 49,101 | 100% | 47,762 | 100% |

| | 2001 | | 2000 | |
|---|---|---|---|---|
| District | Covered Employees | Percentage of Total | Covered Employees | Percentage of Total |
| Special School District - St. Louis | 1,833 | 4% | 1,941 | 4% |
| Springfield R-XII Schools | 1,407 | 3% | 1,336 | 3% |
| Rockwood R-VI Schools | 1,148 | 2% | 1,164 | 3% |
| Lee's Summit R-VII Schools | 933 | 2% | 857 | 2% |
| North Kansas City Schools | 1,084 | 2% | 1,070 | 2% |
| Parkway C-2 Schools | 1,278 | 3% | 1,264 | 3% |
| Ft. Zumwalt R-II Schools | 668 | 1% | 623 | 1% |
| Columbia Public Schools | 983 | 2% | 898 | 2% |
| Independence Public Schools | 1,068 | 2% | 1,099 | 2% |
| Hazelwood R-I Schools | 970 | 2% | 958 | 2% |
| All Others | 36,400 | 77% | 34,963 | 76% |
| Total - 536 Employers | 47,772 | 100% | 46,173 | 100% |

# CONTACT INFORMATION

**For more information on**
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**The Public Education Employee Retirement System of**
**Missouri, write or call:**

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Comprehensive Annual Financial Report for the Year Ended June 30, 2009

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